

Advancing Upstream:
Philanthropy's Aspirations for Social Justice

by

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ABSTRACT

This study explores how grantmakers conceptualize their work with respect to issues of social justice. It seeks to answer two primary questions: What role, if any, does the philanthropic community ascribe to itself in not just ameliorating but helping solve our greatest social challenges? And if philanthropy does see itself as an agent of change, what are the barriers that limit its potential? After painting a portrait of contemporary American philanthropy, this paper applies Iris Marion Young's critique of distributive justice to philanthropy's dilemma between downstream charitable aid and upstream structural change. The thesis then turns to analysis of semi-structured interviews with eighteen of Arizona's foundation leaders to assess whether and how state-level philanthropic leaders see their work vis-à-vis social justice, and understand how external factors limit philanthropy's ability to effect maximum social change. Participants express a desire to engage in genuinely meaningful philanthropy which does more than just maintain the status quo, but identify multiple constraints, including legal barriers to fully utilizing advocacy as a tool, governmental infringement on philanthropic autonomy, the channeling of philanthropic resources toward basic needs as a result of the recession, and a grantmaking orientation that prioritizes short term programs that yield swift, measurable results as opposed to longer term efforts.

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CHAPTER 1

INTRODUCTION

One afternoon in late summer 2010, I was studying in my graduate student workspace in the Justice Studies department and overheard an interesting conversation between a professor and student. As best as I could tell from the other side of an only partially-open office door, the two were discussing the magnitude of global human rights challenges. The student must have made mention of one of the many large, international relief efforts that often intervene in these types of circumstances, because the professor then said something to the effect of “Well, we know that charity is not going to solve the problem.” This assumption about the purpose of charitable organizations – to provide some immediate aid, certainly, but not to play a role in changing the circumstances that made the aid necessary in the first place – struck a chord with me. In my professional life I have the opportunity to work with a variety of foundations of all sizes, both in Arizona and nationally, and I have come to suspect that philanthropists may in fact see a role for themselves in tackling some of the large, structural social justice issues of our day. This conversation helped crystallize the questions that guide this research: 1) What role, if any, does the philanthropic community ascribe to itself in not just ameliorating but helping solve our greatest social challenges? 2) If philanthropy does see itself as an agent of change, what are the barriers that limit its potential?

Research Objectives

This study explores how grantmakers conceptualize their work with respect to issues of social justice to help understand the role philanthropy sees for itself in addressing society's most entrenched problems. I also explore how legal constraints on political activity, a conflicted relationship with the public sector, and strains placed on philanthropy by the recession restrict its ability to support social justice. Understanding these barriers can help foundations "best leverage their assets to be more effective agents of social change in support of equity and justice in the twenty-first century" (Korten 2009: xviii).

This is an especially opportune moment to be exploring the role of philanthropy, given the recent economic recession which economists call the worst since the Great Depression (Morin 2010). Governments from the local to federal level have responded to the recession by cutting budgets for social services, and as a result "the demands being placed on the philanthropic world by the nonprofit sector are increasing exponentially" (Faber and McCarthy 2005: 5). This transition of responsibility from government to philanthropy has resulted in a dynamic and sometimes conflicted relationship between the two sectors as they renegotiate their roles.

While philanthropic studies has been a growing area of inquiry for at least a decade (Katz 1999), it remains "a field in flux where very little received wisdom and settled doctrine are present, [making it] a particularly tempting target for analysis and study – one that appears ripe for systematic thinking and reconceptualization" (Frumkin 2006: 4). A search for the words "social justice

and philanthropy” in the forty-year archive of philanthropy’s premiere academic journal – *Nonprofit and Voluntary Sector Quarterly* – returns just 62 results, suggesting that even as the field of philanthropic studies grows, social justice philanthropy remains relatively understudied.

In addition, there is limited research on how philanthropic professionals conceptualize their work. In the course of this research I came across just three contemporary studies which look specifically at how funders think about the social role of philanthropy. None of these studies focused on grantmakers’ orientation toward social change work, and all were focused on national grantmakers as opposed to those working at the state level. In addition, all three were conducted prior to the economic recession which has had a significant influence on the practice of philanthropy. Horn and Gardner’s (2006) qualitative research looks at the professional identities of grantmakers as compared to professionals in other sectors. Nagai et. al. (1994) conducted a quantitative analysis of the social origins of foundation leadership and their political ideologies. While their survey did include one question assessing whether foundations should seek to make a “large societal impact,” this issue was by no means the central focus of the research. Fleishman (2007) interviewed national foundation leaders and analyzed case studies to assess the characteristics of impactful philanthropy, but this research did not include discussion of how grantmakers see the role of philanthropy in creating large scale social change. My research contributes to the literature on social justice and philanthropy by

exploring whether and how state-level philanthropic leaders see their work vis-à-vis social justice, specifically in the context of the recent economic recession.

Philanthropy and the Social Sector

The social sector serves as an important engine of American life and “a central and distinctive feature ... of the American social and political scene” (Frumkin 2006: 3). It is known by many names, including the civic sector, the nonprofit sector, the independent sector, the voluntary sector and the third sector. It is extremely large – over one million 501c3 tax-exempt organizations are registered with the IRS (Internal Revenue Service 2010a). It includes hospitals, colleges and universities, churches and museums, large and small organizations that provide direct services or advocacy for countless social interests, and the philanthropic foundations that provide the rest of the sector with much of its funding. The sector employs 12.9 million people and, at 10% of the workforce, is larger than the finance, insurance, and real-estate sectors combined (GuideStar 2010). No other nation relies more on its nonprofit sector to conduct the nation’s social, cultural and economic business than does the United States (Fleishman 2007; Magat 1989). Three quarters of American households make charitable contributions each year, and over half perform some kind of volunteer work (Fleischer 2010). At over \$200 billion annually, charitable giving in the United States exceeds that of any other country (Frumkin 2006). Fleishman notes this distinctively American arrangement and the unique role of the nonprofit sector vis-à-vis other social actors when he suggests that

Nowhere else in the world has there ever been so huge and broad-based a voluntary sector, or one so multifaceted, dynamic, and free – a powerful ‘third force,’ distinct from government and business, that balances and mediates social pressures through voluntary actions by millions of Americans. (Fleishman 2007: 14)

To do all of this, America’s social sector relies on a blend of public and private resources, including government grants and contracts, fees for service (in the case of museums, universities and hospitals), investment income, and charitable grants or donations (Fleishman 2007). This research will focus primarily on the role of foundations which, through their support for innovation and experimentation, play a uniquely “influential role in the constant reinvention of American society, including the redistribution of power and wealth” (Fleishman 2007: 3).

Of the over one million nonprofit organizations that make up the social sector, nearly 119,000 are philanthropic foundations (Internal Revenue Service 2010a). As tax-exempt organizations, foundations are regulated by the Internal Revenue Service and fall into four legal categories: independent/private foundations, community foundations, corporate foundations and operating foundations (Foundation Center 2010a). I will refer to the whole of these foundations in the context of this research as the philanthropic sector, but foundations technically make up a subset of the larger social sector.

Independent or private foundations provide the largest share of foundation grants – in 2008, independent/private foundations gave 72% of foundation grant dollars (National Center for Charitable Statistics 2009). Most independent/private foundations are built around funds that typically came from a single

source, such as one individual, family or corporation. These dollars sit in an endowment fund which allows the foundation to make grants with the investment income while maintaining a corpus of funds in perpetuity. Federal tax laws require that endowed foundations pay out 5% of their net assets each year, and this rule typically guides foundation giving. A small percentage of independent/private foundations are known as “spend down” foundations; rather than keeping an endowment in perpetuity, these foundations plan to spend all of their funds over a set amount of time and then dissolve. Independent/private foundations are governed by boards of trustees or directors, and are often large and managed by professional staff. Many of the largest and most well-known foundations in America, such as the Ford Foundation, Mellon Foundation and Gates Foundation fall within this category.

While not their own legal category, family foundations¹ are a subset of independent/ private foundations which merit separate discussion. Like other independent/private foundations, family foundations receive their endowment from a single source – an individual or family – but these foundations have significant donor or donor-family involvement. Family members often make up the entire board of directors or trustees, and play an active role in grantmaking and other operational decisions. Family foundations make up between 40-45% of

¹ It is important to note that just because a foundation is named after a particular individual or family doesn’t necessarily make it a family foundation. Rather, the family foundation distinction is linked to the level of engagement of the donor or donor family in day to day governance.

all private/independent foundations, but most are small and operate more informally and without paid staff (Massachusetts Institute of Technology 2008).

The second major category of foundation is the community foundation. Community foundations provide grants within a specific geographic or regional area and focus on local needs. They are considered “public” because funds are raised from donors in the community as opposed to coming from a single source. This public charity status means that community foundations are not subject to as many regulations as are foundations in the other two categories. Aggregated funds are managed in one endowment, which is subject to the same 5% rule as independent/ private foundations. Donors can give unrestricted dollars or set up donor-advised funds which allow them to provide more oversight over how the funds are used. Community foundations provide donors with an alternative to giving directly to nonprofits or setting up their own private foundations. They are typically large, governed by a board of directors or trustees representative of the community, and professionally staffed. Community foundations operate in cities and states across the country – examples include the Denver Foundation and the Arizona Community Foundation. In 2008, grants from community foundations made up 10% of foundation grants nationwide (National Center for Charitable Statistics 2009).

Corporate foundations are the third major category, and in 2008 were responsible for 10% of total foundation giving (National Center for Charitable Statistics 2009). These foundations are much like independent/private foundations but are legally linked to the for-profit companies that provide their

funding. Corporate foundations may have their own boards of directors or may be governed by the corporation's officers. Unlike independent/private and community foundations which hold endowments, corporate foundations are typically flow-through operations which make grants using the prior year's revenues. Otherwise, they are subject to the same rules and regulations which govern independent/private foundations. Examples include the Wal-Mart Foundation, the Bank of America Charitable Foundation, and the Coca-Cola Foundation.

The fourth and final legal category of foundation is the operating foundation. Operating foundations are typically not grantmaking entities, and instead use their funds to operate their own projects which might include research or direct services. Examples of operating foundations include the American Cancer Society and the World Wildlife Fund. In 2008, 8% of all foundation assets were spent by operating foundations to support their own charitable efforts (National Center for Charitable Statistics 2009).

Arizona's Philanthropic Community

In order to provide context for this research, this section provides a brief snapshot of institutional philanthropy in Arizona based on a report by the Arizona Grantmakers Forum that analyzes tax return data from the most recent available year, 2008 (Arizona Grantmakers Forum 2010). In 2008, Arizona was home to 1,310 grantmaking foundations with combined assets of nearly \$6 billion. The majority of Arizona foundations (81%) are private/independent foundations. The largest share of Arizona foundation grants (22%) went toward education, with the

next largest share (20%) going toward social and human services. 96% of the state's foundation assets are held in the two most populous counties, Maricopa (84%) and Pima (12%). Only 4% of all Arizona's foundation assets are housed in foundations located outside of these two major metropolitan areas. The majority of Arizona's foundations are small – 71% have assets of less than \$1 million, and 20% have assets of less than \$10,000. But the large foundations are very large – eleven foundations hold 48% of the state's foundation assets. And finally, the foundation community in Arizona is relatively young. Nearly one of every two foundations operating in Arizona today was established in the past ten years. These characteristics contribute to Arizona's unique philanthropic landscape.

Frameworks for Philanthropic Giving

While the IRS has defined four legal types of foundation, the literature provides several other, perhaps more helpful frameworks for thinking about how foundations differ from one another. Frumkin (2006) divides philanthropic giving into two types which he calls “expressive” and “instrumental” giving. Expressive giving is typified by traditional charity and has “less to do with concerns over the achievement of social outcomes and more to do with the feelings and experiences of the donor” (Frumkin 2006: 61). Instrumental giving, on the other hand, is more strategic and “focused on accomplishing a set of defined social objectives” (Frumkin 2006: 61). Within the context of institutional philanthropy, Frumkin suggests that expressive giving is more characteristic of smaller foundations and individual donors, while instrumental giving is more typically found among larger foundations with the necessary staff and resources to achieve measureable results.

Fleishman (2007) draws on Frumkin's models of instrumental and expressive giving in his work, but suggests that the two are not mutually exclusive and that "there's a large gray area where the two kinds of motivations and goals overlap" (p.26). He suggests that small foundations can be as strategic and outcome-oriented as larger ones, arguing that "strategic impact is predicated not on size but on intention and discipline" (Fleishman 2007: 27). In addition to critiquing Frumkin's conceptual framework for philanthropy, Fleishman also offers a framework of his own which suggests that foundations can operate in one of three ways, listed here in descending order of engagement – Driver, Partner, or Catalyst. Foundations operating as Drivers represent the highest level of involvement, "mapping out and directing the change effort [and] making grants to organizations that will simply carry out the strategy devised by the foundation" (Fleishman 2007: 3). Fleishman likens a Foundation-as-Driver to the role of the general partner in a business venture, who invests a large share of capital and thus enjoys a great deal of decision making authority. The second role, Foundation-as-Partner, "can be just as strategic as that of Driver, but it is both less hands-on and less controlling of the initiative" (Fleishman 2007: 4). In these cases, the foundation partners with existing nonprofit organizations to achieve a shared strategic objective but with significantly less direct ongoing involvement. Fleishman notes that the majority of foundations operate either as Partners or as the third typology, Foundation-as-Catalyst. Within this third model, a foundation "acts as a sort of 'Johnny Appleseed,' broadcasting resources in many directions, knowing that a few at least will take root and grow" (Fleishman 2007: 4). While

he acknowledges that Catalysts operate far less strategically than the other two types, he credits the importance of this diffuse kind of philanthropy because it allows for ongoing innovation and development of new ideas.

What are Foundations Funding?

Data from 2008, the most recent available year, indicate that health, education, arts and culture, and human services made up the lion's share of all grant dollars, totaling nearly 70% (Foundation Center 2010a). Similarly, most personal giving falls into these same categories, with most individual donors giving to religious institutions, hospitals, private educational institutions and other traditionally charitable causes (Frumkin 2006; Rabinowitz 1990). These are the types of giving patterns that have existed since the first charitable trusts were set up in the seventeenth century (Faber and McCarthy 2005).

But as the field of philanthropy evolves, a dialogue is taking place about the relevance of the historically charitable model. Fleishman (2007) offers the example of hunger and homelessness to suggest the ways in which strategic funding can make a greater impact than straightforward charity:

If some foundation's mission is pure and simple charity in feeding the hungry or housing the homeless ... that surely benefits society. Conversely, by striking at the root of hunger or homelessness, that foundation might have had a greater impact on the problems of hunger or homelessness." (p.29)

This issue is as salient today as it was in 1848 when John Stuart Mill wrote that "it is the great error of reformers and philanthropists in our time to nibble at the consequences of unjust power, instead of redressing the injustice itself" (Mill 2004: 292).

Focus on impact

The venture capitalist metaphor invoked by Fleishman in his description of Foundations-as-Drivers is indicative of a larger movement within philanthropy. The literature suggests that there is an increasing trend toward foundations operating in some of the same ways that businesses do, and consequently describing its work in some of the same terms (Bernholz 2000; Frumkin 2006; Lohmann 2007; Standlee 2006; Tierney 2006). Venture philanthropy, also known as philanthrocapitalism, applies techniques and concepts from venture capital to solving social problems through social entrepreneurship. Many of the foundations that came out of Silicon Valley during the technology boom of the late 1990s and early 2000s, such as the Gates Foundation and Skoll Foundation, are representative of this model. This type of philanthropy was characterized by a high level of engagement by funders which mirrored the level of personal involvement in their business affairs:

Self-made philanthropists ... expressed an interest in taking a more active role in dispersing their wealth, a hands-on approach that is in keeping with the energy and engagement these entrepreneurs bring to their business. (Frumkin 2006: 2)

In addition to providing dollars, venture philanthropists also make investments in their grantees' human capital by passing along skills and knowledge developed in the corporate world. In 1998, as a result of all the new wealth being created by the tech boom and a desire to invest it in social problems, California surpassed New York as the site of the most new startup foundations (Bernholz 2000). At that time, philanthropy-watchers predicted that the philanthropic sector would be

“profoundly altered by the culture of entrepreneurship that now characterizes the American economy, especially the high technology sector” (Bernholz 2000: iv).

Indeed, more than ten years later and in spite of the burst of the tech bubble and the economic decline more generally, philanthropy still bears the imprint of the venture capital business model. Terms like ‘return on investment,’ ‘leverage,’ and ‘efficiency’ are cropping up across the sector – including among established foundations – as grantmakers seek “a philanthropic analog to the continuous improvement so common in the for-profit sector” (Tierney 2006: 63). Another lasting impact of venture philanthropy is an increasing emphasis on measurements and outcomes (Carson 2000; Easterling 2000; Lohmann 2007; Standlee 2006) as “more and more grantmakers... are pressing their grantees to develop metrics to quantify the results of their programs” (Tierney 2006: 62).

This desire to make easily measurable changes has led the philanthropic sector to prioritize funding for discrete projects over ongoing support and administrative overhead, a move that some suggest has “forced grantees to sacrifice long-term effectiveness for short-term efficiency” (Caruso 2008: 1). According to the Foundation Center, over half of all grants made each year are made to support specific programs. Less than 20% are unrestricted, meaning that they can be used for ongoing operational costs, with the remainder going toward capital campaigns, research, and student scholarships (Foundation Center 2010a). This imbalance in favor of programmatic efforts forces nonprofits to produce “a stream of startup efforts in innovative new programming, sometimes to the detriment of ongoing service programs” (Wolpert 1997: 110). Tierney (2006)

suggests that the most impactful philanthropists are able to “combine the excitement and appeal of supporting programs with the more mundane activities of building capacity” (p.74).

Another way in which some grantmakers are seeking to make significant impact is by narrowing their scope and deepening investments in a smaller number of areas. These donors take a longer view and recognize that significant investments in a specific area over time are most likely to achieve significant results: “Donors committed first and foremost to impact are likely to make fewer, bigger grants over longer periods of time. Such grantmaking is grounded in the belief that focus matters and that enduring impact cannot be achieved overnight” (Tierney 2006: 75). Foundations with the staff and other resources to do so are also employing ancillary tactics in addition to grantmaking to increase effectiveness and achieve their strategic goals, such as convening meetings and conferences, offering awards or prizes to spur innovation, building nonprofit capacity, and catalyzing partnerships among foundations and within the private sector (Fleishman 2007).

Philanthropic Engagement with Public Policy and Advocacy

The literature provides prolific evidence to suggest that engagement with public policy has always been a part of modern philanthropy’s mission, particularly among the largest and most well-endowed foundations and most notably since the 1960s (Faber and McCarthy 2005; Fleishman 2007; Frumkin 2006; Nagai et.al.1994). Factors contributing to this increase in foundation engagement with public affairs included mounting wealth, increasing

professionalization of the sector, and a growing recognition that philanthropy is more about widespread social change than meeting the needs of individuals (Nagai et. al. 1994). Mavity and Ylvisaker (1977) may have put it best when they suggested that

American philanthropists, especially when professionally trained, have increasingly come to realize that isolated acts of personal charity are not enough to cure basic social ills or to reshape the larger forces that give rise to them. More and more, their efforts have turned toward understanding and getting the public to understand these basic forces, circumstances, causes and possible cures. (P.797)

Today, many foundations both large and small have come to realize that “direct service grants can only go so far and impact so few” (Grantmakers for Children, Youth and Families 2010: 8). According to a 2010 Foundation Center survey of over 1,300 foundations, more than 25% of respondents reported either funding advocacy activities or engaging in them themselves, although the vast majority of dollars spent on public-policy related activities went to outside organizations. The survey also found that larger foundations are significantly more likely to fund or participate in advocacy activities than are small foundations. Public policy related grants tended toward issues of education, children and youth, environment, health, and civic engagement and the largest share went to efforts that seek to accelerate systems change and reform (Foundation Center 2010c). Funding related to advocacy is typically used in three ways—supporting existing advocacy organizations, financing the development of a new advocacy initiative, or changing public attitudes through public education campaigns (Fleishman 2007).

Many of the national organizations that provide technical assistance to the philanthropic sector are increasingly integrating social justice philanthropy and public policy engagement into the mainstream of their research and technical assistance activities. The Council on Foundations' 2010 national conference featured a first-ever Social Justice track. In addition, recent publications from within the philanthropic sector with titles like "Setting the Policy Table: The Role of Children, Youth and Family Grantmakers in Public Policy" and "Influencing Public Policy at All Levels of Government" are evidence of the fact that foundations recognize the need "to become increasingly adept at working the border of the public, private and social sectors" (Grantmakers for Children, Youth and Families 2010, 10).

Barriers to advocacy

In spite of the growing interest within the philanthropic sector in engaging with public policy, legal rules and regulations serve as a barrier. Section 501(c)3 of the federal tax code strictly prohibits tax-exempt organizations from "directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office" (Internal Revenue Service 2010b). The IRS is less clear, however, when it comes to legislative activities, stating that

No organization may qualify for section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation (commonly known as lobbying). A 501(c)(3) organization may engage in some lobbying, but too much lobbying activity risks loss of tax-exempt status. (Internal Revenue Service 2010b)

The vagueness of the term “substantial” and the unclear directive not to engage in “too much” lobbying has resulted in more than forty years of trepidation on the part of foundations, and “to this day discourages funding for social justice work for fear of overstepping these bounds” (Ostrander 2005: 38).

A report by the Philanthropy Initiative called *Public Policy, Politics and Philanthropy* identified a number of barriers to policy engagement by foundations, including lack of understanding about tax laws, fear of jeopardizing tax-exempt status, and concerns about the legal line between advocacy and lobbying (Philanthropy Initiative 2004: 5). But the fact is that lobbying – which is prohibited by the IRS, at least in certain dosages – is only one form of advocacy, and that foundations that avoid all forms of advocacy are missing out on a legitimate tool to assist in their work. Allowable activities include research and publications, public education and media campaigns, coalition building, evaluation of public policy efforts, community organizing, and litigation, as long as these activities do not mention specific legislation or call to specific action (Alliance for Justice 2005).

An organization’s specific tax status also influences its ability to participate in advocacy, with ‘public charities’ (the category that includes most nonprofit organizations) enjoying more flexibility than ‘private foundations.’ The IRS definition of “substantial” lobbying is much more restrictive for private foundations, which are prohibited from taking part at all, than for public charities which are allowed to engage in a certain amount of lobbying as long as they declare this activity at tax time. For this reason, nonprofit organizations are often

more involved with political advocacy than the foundations that fund them (Nonprofit Action 2005).

The tax laws also include a “safe harbor” provision that helps foundations legally influence public policy by allowing them to give grants to organizations that conduct lobbying so long as their grant does not exceed the organization’s budget for non-lobbying expenses. For example, assume that a nonprofit organization is embarking on a multi-pronged effort to improve low-income children’s oral health. If the total project budget is \$50,000, with \$40,000 going toward public awareness and parent education strategies and the remaining \$10,000 toward efforts to persuade legislators and staff to pass legislation increasing children’s health insurance coverage, a foundation can safely grant up to \$40,000 toward the project. As a safeguard against tax liability, the foundation must exercise what is known as “expenditure responsibility” by ensuring that the grantee understands the purpose for which the grant was made, signs a written acknowledgement, and reports on the usage of grant funds. Similarly, a foundation can make a general support grant to an organization that engages in some lobbying as long as the funds are not earmarked for lobbying activities. In either case, while the foundation’s dollars do not directly support lobbying, the ‘safe harbor’ allows them to “include seeking policy change as a potent means of furthering their charitable objectives” (Nonprofit Action 2005). The different regulations for public charities and private foundations described above and this ‘safe harbor’ provision mean that “for most foundations, the principal means of

participating in the legislative process is by supporting public charities that are working to achieve changes the foundation favors” (Nonprofit Action 2005).

In spite of these often contradictory laws, there is a growing awareness among funders that “if grantmakers hope to promote systemic reform, they need to consider, and often to change, the policy context of social programs and services” (Grantmakers for Children, Youth and Families 2008: 6). Education reform is a perfect example of a philanthropic endeavor that is by its nature also a political one. As a result, “education grantmakers are increasingly engaging with public policy at the local, state and federal levels, in recognition of the enormous impacts policy has on education systems and learner outcomes” (Grantmakers for Education 2010: 14).

The Great Recession: Impact on Philanthropy

While economists say that the recession officially ended in the summer of 2009, recovery is slow and the consequences remain evident across all sectors. Because endowed foundations invest their assets in the stock market, philanthropy was hit particularly hard. At the same time the rest of the social sector, particularly those organizations that provide services to the poor, has seen a marked increase in demand for services. This has resulted in something of a perfect storm for the philanthropic community, which has fewer resources to serve community needs at a time when those community needs are at their highest.

As a result of assets lost to the stock market, foundation giving dropped 8.4% between 2008 and 2009, the largest one year decrease since the Foundation

Center started tracking foundation giving in 1975 (Lawrence 2010). In each of the three prior years, the decrease had been less than 1%. It is worth noting that the decrease between 2008 and 2009 would have been one entire percentage point higher if not for grants made by a single entity – the Bill and Melinda Gates Foundation (Lawrence, 2010). But even the world’s largest foundation wasn’t immune to the vagaries of the economy – the Gates Foundation’s assets dropped 20% in 2008 (Chronicle of Philanthropy 2009).

The fact that foundation giving only fell 8.4% between 2008 and 2009 actually misrepresents the true toll the recession took on foundations. During that same time period, foundation *assets* actually dropped over 17% nationally (the largest single year decline in assets the Foundation Center had ever seen). Foundations worked hard to cut internal and administrative costs wherever possible to help mitigate the impact of the recession on grantees (Lawrence 2010).

The economic recession has increased the need for basic services and, as a result, many foundations have shifted their funding priorities away from longer term, social change efforts and toward short-term, crisis-related social service investments such as foreclosure prevention and food assistance (Foundation Center 2009). A survey conducted by the Foundation Center in the fall of 2010 (Foundation Center 2010d) sought to understand the impact of the economic recession on philanthropy. Forty percent of respondents reported modifying their grantmaking priorities, including increasing support for the social safety net, narrowing grantmaking to align more closely with their missions, and reducing the number of areas in which they fund. An area in which foundations’ responses

to the recession differed was that some reported giving smaller grants to more organizations, while others made fewer grants but in larger amounts. This reflects a tension between wanting to provide assistance to as many organizations as possible and the desire to invest deeply in one area to see maximum impact. One anticipated long-term change identified by respondents was an increase in their willingness to provide operating support.

The study's author suggested in a related podcast that some foundations will come out of the recession stronger than before:

The grantmakers and nonprofits that have taken this opportunity to think about their mission, to streamline their operations and focus on their core activities [will] come out of this crisis stronger and well positioned to succeed in the future and achieve their goals. (Lawrence 2010)

Others have predicted additional benefits to the sector, including the fact that, "the profile of philanthropy will increase substantially as more and more important public needs are met through private acts of generosity" (Frumkin 2006: 2).

Philanthropy and Government: A Complementary but Conflicted Relationship

Through the taxes it collects and spends, the government makes a myriad of public programs and services possible. Thirty-five percent of funding for the nonprofit sector comes from the government in the form of grants or contracts from local, state or federal agencies (Fleishman 2007). In many cases, the governmental process of advertising, reviewing and awarding these grants or contracts resembles the process of philanthropic grantmaking. This shared responsibility for wealth redistribution and funding of programs and services for

the common good places government and philanthropy in a close and potentially complementary relationship with one another.

In spite of these similarities in purpose, the two sectors also have important differences that influence their ability to impact social change. For one, the government has exponentially more resources than does the philanthropic sector. By way of comparison, in 2007 foundation assets nationally totaled \$670 billion while state and federal government expenditures exceeded \$3 trillion (Korten 2009: xviii). This gulf was further widened in 2008 when, as a result of sharp declines in the stock market due to the economic recession, foundation assets fell sector wide (Council on Foundations 2009).

But while the philanthropic sector does not have anywhere near the level of resources as the public sector does, independence and agility are among its strengths. Unlike the government, “foundations are protected from the cyclical forces that often keep governments from being effective” (Korten 2009: xix). Philanthropy is also considered more nimble and less risk-averse than government, and as a result, willing to experiment and fund those innovative projects that government will not (Carson 2003; Duran 2002; Frumkin 2007). In this way, philanthropy “provides the risk capital within a society to test innovative solutions to systemic problems” (Carson 2003:2).

There is a long history in this country of programs being incubated by the philanthropic sector before being taken to scale and sustained with public funds:

Historically, the relationship between philanthropy and government has been one of innovator and adaptor. Foundations design initiatives or pilot programs that address social problems, and once they have demonstrated

success, the government steps in with federal resources to re-create the program around the country. (Foster 2009: 36)

Examples include the 9-1-1 emergency response system, public broadcasting, the Pell grant program, and community development corporations, all of which were catalyzed through investments by private foundations before receiving public funding (Fleischman 2007). And unlike private companies, foundations “do not have shareholders demanding a quarterly return [and] can focus on long-term results more easily than can publicly traded companies” (Korten 2009: xix). Just as corporate leaders are beholden to shareholders’ expectations of ever-increasing profits, elected officials are often reluctant to invest in long-term strategies that will not come to fruition in time for their next re-election campaign (Nagai et. al. 1994). The philanthropic sector’s ability to commit to long term strategies sets it apart from both the private and public sectors (Frumkin 2006). Philanthropy is uniquely situated to influence social structures because of its “considerable resources and, even more important, a level of freedom from both the public opinion and the bottom line” (Frumkin 2006: 12).

That the government allows foundations and nonprofit organizations to operate without paying taxes is an indication of the fact that “government sees private philanthropy as a necessary partner in the pursuit of public purposes” (Frumkin 2006: 30). The federal government in particular appears motivated to partner with the philanthropic sector. As a result of President Obama’s background in community organizing and commitment to the social sector, Foster (2009) suggests that “many in the sector see him as a natural ally” and quotes the co-founder of the Global Philanthropy Forum who noted that the administration,

“strapped for resources yet charged with major responsibilities, has reached out to the sector in a number of ways” (p.36). There is also evidence of interest in partnering with philanthropy from the legislative branch. An Open Letter to Philanthropists from the Co-Chairs of the Congressional Philanthropy Caucus dated October 2010 and published by Grantmakers for Children, Youth and Families states that “it is critical that the philanthropic sector take an active role in the public policy debate at the federal level” (Grantmakers for Children, Youth and Families 2010: 5). The letter goes on to identify four key roles that congressional members rely on philanthropy to play: identifying key issues that warrant federal attention, weighing in on policy options, supporting programs that meet needs not addressed by federal programs, and providing advice and feedback on how to improve federal programs.

But if elected officials see foundations as a critical link to the communities that they serve, they also often see the philanthropic sector as a mechanism to, as stated in the Open Letter, “fill the gap” that is left when government reduces its investments in the social sector. This “sectoral blurring” (Kennedy and Malatesta 2010: 107) can result in tension over supplanting and lack of clarity about proper roles (Carson 2003; Kennedy and Malatesta 2010).

This conflict over the roles and responsibilities of the two sectors is not a new one. Bernholz notes that for years

Politicians have gained high office promising to downsize government and let the private sector take over, [and] private philanthropists have bemoaned the small sizes of their endowments when compared to the public coffers and the needs of the nation. (Bernholz 2000, 20)

As a result of neoconservative and federalist influences (Steinberg 1989), there has been a growth in what Lohmann (2007) calls “the seemingly widespread belief that the public (governmental) sector should be as small as possible and taxes as low as possible” (p.440). The corollary to this belief is a doctrine Lohmann calls “philanthropic sufficiency” which suggests that foundations and the rest of the social sector “offer a sufficient and politically preferable way of dealing with the social problems that the Progressives steered toward government” (p.440). Frumkin (2006) suggests that one of the greatest challenges philanthropy has faced over the past century is this “unresolved relationship to the dominant and recognizable system of satisfying public needs, namely the fulfillment of needs through government’s many institutions and programs” (Frumkin 2006: 1).

But this long-standing conflict over the proper division of labor between the two sectors is heightened during times of economic distress when both public and private assets are down, and community needs are up. As a result of the recession, “governments are seeking to cut expenditures, limit taxation and find new sources of revenue, in many cases by shifting their fiscal burdens onto nonprofits and foundations” (Foundation Center 2011). As noted above, the philanthropic sector simply doesn’t have enough money to fill that gap. But even if it could, the possibility that philanthropy would intervene to fund services which have historically been funded through government programs leads to a danger that those programs will become the responsibility of the philanthropic sector forever after (Wolpert 1997). The literature suggests that the philanthropic

sector must be careful not to supplant or “crowd out” government resources (Frumkin 2006) and inadvertently release it from its obligations to provide for the populace. As Wolpert (1997) put it, an increase in philanthropic support for traditionally government responsibilities “usurps societal responsibilities vested in government within advanced and affluent democratic societies” (p. 109).

This tension between the philanthropic sector and government is evident even at the highest levels of national and international politics. On a March 9, 2011 episode of PBS’ *NewsHour*, host Judy Woodruff interviewed former first lady Laura Bush, Melinda Gates of the Gates Foundation and Helene Gayle of CARE International about possible cuts to international humanitarian aid as part of a proposal to reduce the federal budget deficit. Throughout the course of the interview, Woodruff asked both philanthropic leaders variations of the question of why they don’t step in and, in her words, “pick up the slack.” Gates responded that

What people have to understand is, even though our foundation looks very large, the problems that we’re choosing to tackle are absolutely enormous, and our money is actually tiny in this. All that philanthropy can do is be a stimulus, is to stimulate innovation. (Public Broadcasting System 2011)

Here Gates is affirming both philanthropy’s relatively small treasury as compared to public resources, and her belief that philanthropy’s mission is to catalyze social change, not to take over government’s role of implementing it. Gayle responded to a similar question from Woodruff by emphasizing shared cross-sector responsibility for addressing the world’s greatest challenges:

Well, it's going to take all of us. And as Melinda said, there is no one institution, there is no one organization that's going to do it. It's

going to take the government; it's going to take the private sector; it's going to take the NGO sector, like CARE and other organizations. But it's going to take all of us working together to be able to use our comparative advantages, if you will, to really build this solution. (Public Broadcasting System 2011)

But some scholars are critical of the possibility of true public-private partnership. MacDonald and Chrisp (2005) argue that in practice, partnerships “often seems to fall short of promises” (p.309) and don’t reflect the theories of partnership which are “saturated with sharing, caring words” (p.307). In many cases partnerships “remain, in many senses, in name only. For the most part, the resource allocation processes in these two sectors proceed independently, and often in ignorance, of each other” (Salomon 1987:46). He goes on to suggest that as government resources dwindle and the philanthropic sector is called upon to help make up the difference, “it may be appropriate to consider ways to achieve a greater degree of dialogue on questions of resource allocation, division of responsibilities for meeting community needs, and joint public-private ventures” (p.46).

Thesis Organization

This study is presented in nine chapters, the first of which has introduced the research objectives and provided readers with an overview of contemporary American philanthropy. Chapter Two contains a theoretical framework for thinking about philanthropy based on Iris Marion Young’s critique of the distributive justice paradigm and argument that social justice can only be brought about through structural change. In this chapter, I also introduce an upstream vs.

downstream framework for thinking about philanthropic intervention based on a classic parable.

The methodology for this study appears in Chapter Three, which discusses the study's design, sample selection and data collection strategies. The chapter concludes with a discussion of the thematic content analysis.

Chapters Four through Eight contain analysis of the interview data. In Chapter Four I briefly describe the ways in which participants' career pathways to philanthropy impact their perspectives on the sector. I then turn to the ways in which participants talk about their work, introducing a new conceptual framework for thinking about philanthropy which I call "the Four S's." Finally, I close with analysis of whether and how participants see social justice and social change as philanthropic drivers.

Chapter Five is an exploration of how participants conceptualize their work in terms of short-term social service of longer term social change. It focuses on the difference between traditional charity and contemporary strategic philanthropy, and provides examples of social change philanthropy in Arizona. This chapter further develops the upstream/downstream framework introduced in Chapter Two.

In Chapter Six, I explore participants' views on the ways that philanthropy might use advocacy and public policy as a tool for social change. The discussion includes the potential value philanthropy can add to civil discourse, but also the barriers that prevent foundations from engaging actively in public policy.

Participants also discuss ways in which foundations are negotiating these barriers, and provide examples of advocacy work by local foundations.

Chapter Seven reflects on the complicated relationship between philanthropy and the public sector, with a focus on the two sectors' shared responsibilities to funding the social infrastructure. It includes participants' thoughts on the roles and responsibilities of the two sectors and the ways in which government's expectations of philanthropy infringe on its autonomy. The chapter also explores the ways in which the two sectors complement one another, and the challenges and rewards of public/private partnership.

Chapter Eight explores the impact of the economic recession on philanthropy. Participants describe the ways in which their foundations have altered their grantmaking practices and priorities. They also describe some positive outcomes of the recession including increased collaboration and partnership within the sector, and make some predictions as to how the recession may impact their profession going forward.

In Chapter Nine, I conclude by summarizing the key findings of the study, discussing its contributions and limitations, and suggesting areas for future research.

CHAPTER 2

THEORETICAL FRAMEWORK

Income Inequality in America

The contemporary capitalist US political economy is characterized by economic inequality. In 2007, the richest 1% of Americans owned 34.6% of privately held wealth. The tier of next richest households – the top 19% – held an additional 50.5%. The result of this concentration of wealth is that the remaining 80% of Americans held less than 15% of the nation's private wealth (Domhoff 2011). Yet, perhaps due to their allegiance to the capitalist economic model, the majority of Americans are unaware of this tremendous imbalance. In a 2010 survey of more than 5,500 respondents, over 90% significantly underestimated the percentage of wealth concentrated among the top 20% of households, regardless of their age, gender, income level or party affiliation (Norton and Ariely 2011).

The issue of income inequality was exacerbated by the American recession. According to the Pew Research Center, “the Great Recession has divided America into two groups that are roughly the same size but that experienced very different economic downturns” (Morin 2010). Those people who were well off to begin with were more likely to have held their own during the recession than people who were already in precarious economic conditions, who were more likely to have lost financial ground. In addition, whites, older adults and those with more education fared better in the recession than minorities, younger people, and people with a high school education or less (Morin 2010). Thus, the recession has served to further polarize the nation's rich and poor.

Young's Critique of Distributive Justice

Different paradigms of justice would recommend different solutions to address these issues of economic inequality. Proponents of a distributive justice framework suggest that social justice requires a redistribution of goods in an attempt to achieve “the morally proper distribution of benefits and burdens among society’s members” (Young 1990: 15). But Iris Marion Young (1949-2006) challenges the distributive justice framework and suggests that it is a mistake to reduce our conception of justice simply to the distribution of material goods. Instead, she argues, we need to look just as closely at issues of power and decision making and

displace talk of justice that regards persons as primarily possessors and consumers of goods to a wider context that also includes action, decisions about action, and provision of the means to develop and exercise capacities. (Young 1990:16)

Which is not to say that she doesn’t recognize the importance of material redistribution – indeed, she has written that “the immediate provision of basic material goods for people now suffering severe deprivation must be a first priority for any program that seeks to make the world more just” (2006: 19). But she is insistent that a theoretical focus on distributive justice “tends to deflect attention from important aspects of structural processes...and obscures important aspects of structural processes that do not fit well under a distributive paradigm” (Young 2006: 91). Her very definition of social justice – “elimination of institutionalized domination and oppression” (1990: 15) makes clear her commitment to structural change.

Young argues that structural oppression is a barrier to self-development, self-expression and self-determination, factors she deems essential to achieving “the good life” (1990: 37). Her conceptualization of oppression goes beyond the traditional sense of persecution at the hand of a dictator to the more diffuse “disadvantage and injustice some people suffer not because a tyrannical power coerces them, but because of the everyday practices of a well-intentioned liberal society... Oppression in this sense is structural” (1990: 41). She goes on to suggest that not only isn’t this type of structural oppression the result of an evil tyrant, it is often propagated by “well-meaning people in ordinary interactions” (1990: 41). She argues that as representatives of institutions, “many individuals daily contribute to maintaining and reproducing oppression, but those people are usually simply doing their jobs or living their lives, and do not understand themselves as agents of oppression” (1990: 42). Addressing the consequences of structural oppression, she argues, “involves adopting a general mode of analyzing and evaluating social structures and practices” (1990: 39) and the ways in which instructional biases are implemented in practice.

Young identifies five distinct “faces of oppression” which place “disabling constraints” (1990:39) on social justice: exploitation, marginalization, powerlessness, cultural imperialism, and violence. Of these,² exploitation and

² Here I briefly summarize Young’s other “faces of oppression.” *Powerlessness* focuses on the ways in which nonprofessional or manual workers are given lower status in the contemporary workforce which places greater value on professional or mental workers. For Young, this status difference “extends beyond the workplace to a whole way of life” resulting in a “privilege of professional
(Footnote continued on next page)

marginalization provide the most useful framework for thinking about the relationship between justice and philanthropy.

Young's discussion of exploitation builds on a Marxist critique of capitalism which states that the capitalist structure is inherently unjust because the wealthy gain power by exploiting the labor of the poor. The resulting persistent class distinctions are enabled and reproduced by institutional structures. As a result, Young argues, simple redistribution of wealth cannot solve the structural problems that create income inequality in the first place:

The injustices of exploitation cannot be eliminated by redistribution of goods, for as long as institutionalized practices and structural relations remain unaltered, the process of transfer will recreate an unequal distribution of benefits. (1990: 53)

Instead, justice would require replacing existing oppressive and dominating institutional forms with those that support self-development and self-determination, those values she sees as necessary to achieving the good life.

Young's discussion of marginalization as another face of oppression focuses on the ways in which "a shamefully large proportion of the population" (1990:53) is subject to severe material deprivation as a result of poverty or the inability to participate in social life. She calls material deprivation suffered by marginalized populations "unjust, especially in a society where others have

respectability" (1990:57-58). *Cultural imperialism* refers to the entitlement that dominant social groups enjoy when they "assert [their] perspective and experience as universal or neutral" (1990:60). Finally, Young sees *violence* and the constant threat of violence suffered by many marginalized groups as a form of systematic oppression. She argues that just as much as the acts of violence themselves, "the social context surrounding them which makes them possible and even acceptable" (1990:61) is just as oppressive and even more systemic.

plenty” (1990:53). She does credit society with recognizing the need to redistribute some resources to marginalized populations through state sponsored social welfare. But, she suggests, social welfare is rarely a permanent solution, and “welfare distributions do not eliminate large-scale deprivation and suffering” (1990: 54.) She goes on to argue that while an attempt to address injustices brought on by marginalization, “the provision of welfare itself produces new injustices” for those recipients of welfare who are “subject to patronizing, punitive, demeaning and arbitrary treatment by the policies and people associated with welfare bureaucracies” (1990: 54). While Young is referring specifically to state sponsored social welfare, a similar critique could be applied to certain services provided by the nonprofit social sector. For example, many organizations that serve the homeless require that individuals be sober and drug-free in order to spend a night in a shelter, a policy that Young might argue “deprives those dependent on it of rights and freedoms that others have” (1990: 54).

While she did not write specifically about philanthropy, we can guess that Young might have seen the institution of philanthropy as others have, “a reflection of a class society because it has depended on division between rich givers and poor recipients” (Ross 1968: 78). Indeed, philanthropy is predicated on the reality that “certain people have had opportunities for wealth acquisition and accumulation that are not similarly available to all” (Silver 2007: 538). Through her structural lens, she may even have agreed with critics who argue that philanthropy “not only derives from class divisions, but is also instrumental in

reproducing those divisions” (Silver 2007, 537). Some cite as evidence the fact that the majority of philanthropic dollars go to causes and institutions that serve the elite, such as hospitals, universities, and arts and cultural institutions (Bombardieri and Robinson 2004; Odendahl 1990). Others (Jenkins 1998; Roelofs 2003; Silver 2007) argue that the relatively small percentage of grants that do go toward helping the disadvantaged “are institutionally safe and uncontroversial, and thereby co-opt reforms that potentially might challenge – perhaps even dismantle – underlying structures of social inequality” (Silver 2007: 538). By redistributing a small percentage of wealth to marginalized populations, Young might have written, philanthropy serves to placate the masses without making significant structural changes. Indeed she has suggested that institutions seek to quell “movements of insurgency that seek democratization, collective decision-making and grassroots empowerment” (1990: 90) by reframing those claims in a distributive lens which allows them to appear responsive without giving too much ground. Thus, it is through the provision of goods and services that the welfare state “helps preserve capitalist institutions... by encouraging people’s allegiances to the system to the extent that it delivers them something material, or at least the continuing credible promise of something material” (1990: 69).

Young might also have taken issue with philanthropy’s concentration of decision-making authority about the poor among the wealthy. This sort of top-down decision making runs counter to her belief that those who are impacted by a particular policy should be involved with the decision making process (Young

2006). This issue is at the core of social activist and public philosopher Jane Addams' (1860-1935) early critique of philanthropy, in which she suggests that injustice is perpetuated when a benefactor "is good 'to' people rather than 'with' them, when he allows himself to decide what is best for them instead of consulting them" (Addams 1964:154). A danger of philanthropy is that it would do nothing to elevate the status of the poor or change the social conditions that made them poor in the first place, and instead "reinforce hierarchy and render the poor mere wards of the wealthy" (Frumkin 2006: 2005). Fischer (1995) argues that "this assumption of superiority on the part of the benefactor is inherent in the principle of volunteerism – that one has the right to decide who is worthy of help and what sort of help they need" (289-290). Salamon (1987) has similarly cautioned against what he calls "philanthropic paternalism" whereby wealthy donors "can determine what the [nonprofit] sector does and whom it serves," creating a situation that gives beneficiaries "no say over the resources that are spent on their behalf" (p.47).

Some philanthropists respond to this concern by including communities in decision-making, "insisting that beneficiary communities have a strong role in allocating contributed funds" (Hunter 1990: xii). This intentional inclusiveness and diversity is essential because the pursuit of social justice requires that underrepresented communities "be at the table and have an effective voice. The possibility of power and abuse by others is moderated by having them there in an equal and equivalently powerful way" (Chronicle of Philanthropy 2010). This

kind of inclusiveness helps mitigate the issues of marginalization and oppression which were of such great concern to Young.

Charity vs. Philanthropy: Implications for Social Justice

Young's analysis of two conflicting visions – justice as distributive, and justice as addressing structural, institutional barriers to “enablement and empowerment” (1990: 90) – also provides a useful framework for thinking about philanthropy. The philanthropic sector is currently struggling to determine how best to utilize its resources, particularly in the context of the recession and lingering economic downturn. We might think about traditional charity as operating within a distributive framework, attempting to provide immediate aid where it's needed most, while philanthropy sees itself working on more structural changes.

The shift from the traditionally charitable framework toward today's strategic philanthropy is thought to have occurred in the early 20th century with the emergence of a cohort of progressive philanthropists, most notably Andrew Carnegie, John D. Rockefeller, and Henry Ford (Nagai et. al. 1994; Fleishman 2007; Frumkin 2006). Prior to this time, charitable giving in the United States had been built upon on a charitable model informed by Christian civic stewardship and provided by churches and settlement houses (Nagai et.al.1994). But the “big three” (Arnove and Pinede 2007) as they were known in the 1960s – the Carnegie, Rockefeller and Ford Foundations – were dedicated to a more sophisticated model of giving. This statement from Henry Ford typifies their view: “My idea is justice, not charity...My idea is to aid men to help themselves”

(in Arno 2007: 391). Carnegie, Rockefeller, Ford and their peers brought a new level of strategic thinking to giving which was influenced by their status as “businessmen who were strong believers in the scientific approach to problem-solving” (Fleishman 2007: 167). While they are best known for the universities, libraries, parks and other cultural infrastructure they supported, some suggest that their greatest contribution to the field of philanthropy was their “radical rejection of mainstream charity” (Frumkin 2006: 9). For these early foundation leaders, “the advantage in using great wealth for the public benefit lay not in short-term amelioration of social ills but in changing the systems that produced those ills in the first place” (Fleishman 2007: 41).

The literature suggests that significant conceptual differences between charity and philanthropy remain. Nagai et. al. note that “Americans sometimes use the words charity and philanthropy interchangeably, but they are not the same thing” (1994: 2). Philanthropy, with its emphasis on creating opportunities for self-sufficiency and its procedural commitment to strategic investments, diverges from the traditional charitable framework in several key ways. Charity is typified by assistance to the poor, while many philanthropic grants go to groups whose work has little or nothing to do with addressing poverty, such as the arts, environmental conservation, or animal welfare (Nagai et. al. 1994). Bernholz (2000) sees philanthropy as a more intentional and complex type of giving than charity, distinguished by “its interests in altering systems or public policy” (p.6). Payton (1989) suggests that charity “usually retains in some degree the implications of fraternal love or of compassion as the animating spirit” while

philanthropy “is less personal, more concerned with the betterment of humankind rather than the short-term alleviation of suffering” (p.30). Frumkin (2006) writes that the two have “always operated in parallel” and that “charity and philanthropy have come to occupy somewhat different niches over time and persist independently to this day” (p.5). He suggests that individual donors or those who manage their own family foundations are more likely to think of their work as charity because of the personal reward they feel from their giving, while foundation professionals in larger organizations, who have a natural psychic distance, see their work in the more strategic, philanthropic frame. He also cites the growing professionalization of institutional philanthropy as integral in having “moved the target of philanthropy and the focus of the concept of effectiveness away from the satisfaction of the donor and toward the production of public and community benefits” (Frumkin 2006: 62).

This shift within the philanthropic sector away from a short-term charitable framework and toward a more structural way of thinking is well-illustrated by an e-mail I received one afternoon during the course of this research. It came from CARE International and read, in part,

Over the years, CARE's mission has evolved from only handing out items of relief like canned meat and powdered milk to empowering poor girls, women and communities by helping them access the resources they need to chart their own way out of poverty ... Instead of filling a box with relief items, [your gift will] be helping train midwives, helping girls go to school, helping women improve their income and more. (Gayle 2011)

Payton’s earlier description of philanthropy as a response to charity’s “short- term” vision provides us with another useful framework for understanding the difference between philanthropy and charity. We might conceptualize this

difference as Mayer (2008) has, by thinking about the classic parable about a group of fishermen who are startled to notice one, then two, then three babies floating in baskets down the river. Some decide to wade into the river to rescue the babies – a critically important but only short-term solution – while others scramble upstream to try to intervene and stop whoever is dropping them in the river in the first place. If traditional charity is focused on meeting immediate needs where they manifest, philanthropy is looking for structural, upstream solutions that will eventually reduce the need for “palliative assistance” downstream (Chronicle of Philanthropy 2010). Foundations conceptualize going upstream in different ways. Upstream interventions might focus on community organizing efforts like voter registration drives or labor mobilization efforts, initiatives that build self sufficiency through education or job training, prevention efforts like early childhood education or primary health care, or advocacy work such as policy research, public awareness campaigns and ballot measures.

It is important to note that, in their steady march upriver, the philanthropic community remains aware of the value of downstream interventions that provide critical assistance to people in need. Mayer (2008) describes the strengths and weaknesses of downstream and upstream interventions this way:

The two options are clearly not the same. The first, while taking care of the immediate victim, does not address the underlying causes of the problem. The second, while fixing the system to produce a more level playing field, does nothing to address the needs of current victims” (P.2)

Therefore, there is value to a two-pronged approach that seeks structural change while providing assistance to those in immediate need.

This parable illustrates the dilemma faced by the philanthropic sector as it determines how far upstream to go and where best to invest its substantial but still finite resources. Another barrier to operationalizing philanthropy's growing commitment to structural change is the fact that many foundations are uncomfortable dealing with the kinds of issues Young raises in her discussion of social justice and structural oppression. Carson (2003) cites multiple reasons for foundations' general reluctance to engage in the type of grantmaking that has the potential to reduce or eliminate social inequality, including an unwillingness to acknowledge power relations, a lack of desire to challenge the status quo, and discomfort with controversy. Mayer (2008) supports these conclusions and suggests that there may be some sociolinguistic issues at play, writing that

The term 'social change' can arouse suspicion and animosity in some people, especially those people who are uncomfortable acknowledging the power dynamics that are usually unspoken. The term 'social change' is part of the same category of emotionally-laden terms as 'racial equity,' 'social justice,' 'advocacy,' 'activism' and 'reform.' The political overtones are clear." (P. 2)

If, as some argue, the traditional charitable framework serves to preserve the social order, "social change philanthropy entails the inherent risk of encouraging challenges to that order and its institutions" (Rabinowitz 1990:6). But Young would likely insist that philanthropy fails to live up to its true potential if it does not advance in that upstream direction.

CHAPTER 3

METHODOLOGY

This inductive study explores how Arizona grantmakers conceptualize their work with respect to issues of social justice and what factors limit its ability to achieve maximum social impact. It is important to restate that this research was conducted in the recent aftermath of the worst economic recession since the Great Depression, at a time when the American economy is still crawling along and families and communities are still struggling mightily. In this context, the importance of philanthropy's role as provider of aid to the needy is amplified. I was interested in learning whether and how the economic recession has impacted philanthropy's ability to assume a social change orientation that looks at structural issues and not simply issues of immediate need.

Research Design

This research is both exploratory and explanatory, as I sought to understand how philanthropists think about the social justice orientation of their work, but also understand whether and how external factors influence philanthropy's autonomy and ability to effect social change. To answer these research questions, I used a qualitative research design, which is most appropriate for a study like this one which seeks to gain new knowledge rather than test a specific hypothesis (Schutt 2006). The study was conducted over the course of eight months in late 2010 and early 2011.

Sampling

For this study, I conducted semi-structured interviews with 18 philanthropic professionals, selected to represent a wide range of professional experiences. The semi-structured format allowed me to gather key information from all participants while also allowing “each interview [to] flow in a unique direction in response to the interviewee’s experiences and interests” (Schutt 2006: 312). All but two of the foundations represented in the study are based in Arizona, and the two out-of-state foundations are currently investing in projects in Arizona.

I utilized a purposive sampling strategy, seeking out key informants who could speak to the current culture of philanthropy. Per the purposive sampling guidelines suggested by Rubin and Rubin (1995), the informants were selected because they were “knowledgeable about the subject of the interview, open to talking, and represented the range of perspectives” (Schutt 2006: 312). My own work in the nonprofit sector provided me with a unique perspective on which members of the local philanthropic community met these criteria and were considered to be opinion leaders in the field, an assumption which was verified by the fact that participants frequently referenced one another and each other’s foundations during the interviews. Of the 14 currently-operational, Arizona-based foundations represented in the sample, 100% are members of the statewide philanthropic membership organization. Thus, the sample seems to have included key opinion leaders and “movers and shakers” who are deeply embedded in the state’s philanthropic community.

My sample consisted primarily of program officers or their equivalent – those people who either make funding decisions themselves or who are responsible for vetting applications and deciding which proposals to recommend to their boards of directors. People in these positions often work closely with nonprofits before and after grants are awarded, giving them a unique perspective on philanthropy’s impact. In the case of some of the smaller foundations, this was also the same person who serves in an executive capacity. Table 1 provides a demographic breakdown of study participants.³

Table 1: Study Participants

Pseudonym	Gender	Approximate Age	Type of Foundation	Pathway to Philanthropy
Anne	Female	30s	Family	Nonprofit
David	Male	60s	Independent/Private	Nonprofit/ Government
Deirdre	Female	40s	Community/ Donor Advised	Nonprofit
Grace	Female	40s	Independent/Private	Government
Jackie	Female	50s	Independent/Private	Government/ Nonprofit
Janice	Female	50s	Other	Nonprofit
Jill	Female	50s	Community/ Donor Advised	Government/ Nonprofit
Joyce	Female	60s	Family	Business
Katherine	Female	30s	Other	Nonprofit
Kerry	Female	40s	Independent/Private	Government
Lauren	Female	30s	Independent/Private	Business
Pam	Female	60s	Independent/Private	Government
Paul	Male	70s	Independent/Private	Business

³ Race/ethnicity is not indicated in Table 1 because, given the lack of diversity in the sample, it might have threatened participant anonymity. Age was estimated at the time of the interview and was informed in part by comments made by participants regarding number of years in philanthropy and other employment sectors and other life experiences, and in some cases by prior knowledge.

Sheila	Female	50s	Family	Government
Suzanne	Female	40s	Community/ Donor Advised	Government
Tina	Female	60s	Independent/Private	Government/ Business
Tony	Male	30s	Community/ Donor Advised	Nonprofit
Walt	Male	70s	Family	Business

In designing my sample, I worked to assemble a group that is representative of the institutional diversity of the philanthropic sector. Four participants in my sample (22.2%) operate family foundations, eight participants (44.4%) work for private/independent foundations, and four people (22.2%) work for donor-advised or community foundations. I also interviewed one individual who staffs a statewide organization that provides educational resources, networking and research to foundations throughout Arizona, and one individual who works for a quasi-governmental agency which grants over \$150 million annually across the state.

I also sought demographic diversity in terms of race/ethnicity, gender, approximate age, and type of work experience prior to working in philanthropy, and was more successful in some areas than in others. See Chapter Nine for a discussion of the limitations resulting from the sample. All but one of my participants (94.4%) were white, and fourteen (77.7%) were women. The participants were more evenly represented across age – four (22.2%) were in their thirties, four (22.2%) in their forties, four (22.2%) in their fifties, four (22.2%) in their sixties and two (11.1%) in their seventies. Fifty percent of participants' pathways to philanthropy included work in the public sector, 44.4% of

participants had worked in the nonprofit sector before becoming a funder, and 28% had some business experience before joining or starting a foundation.⁴

The sample was recruited through my professional contacts in the philanthropic sector both in Arizona and nationally. Recruitment incentives were not offered. When initiating this research, I had aimed for a sample of 15 to 20 participants, knowing that I would interview until reaching completeness and saturation. In the first round of recruitment, letters were sent to 15 potential participants, each of whom I knew through my professional network. All but one of these individuals elected to participate.⁵ In order to extend the scope of my sample beyond these initial contacts, I utilized snowball or chain-referral sampling by asking each participant if there was anyone else they would recommend I speak to. Four members of my final sample (22.2%) were recruited into the study as the result of a referral by another study participant.

By mid-February, I had conducted and transcribed 17 interviews. At that point, my review of the transcripts suggested that I was approaching both completeness and saturation; patterns in the data corroborated previous research on philanthropy, a complete picture of philanthropy's social justice orientation and barriers to social justice was emerging, and participants were authenticating

⁴ This total sums to more than 100% because some participants had worked in multiple sectors before entering philanthropy.

⁵ The one individual who declined to be interviewed felt that because I was also interviewing one of her colleagues she would provide redundant information. I didn't think this would be the case, particularly since the two represented different focus areas in a large organization, but as participation was voluntary I pressed no further.

one another's observations rather than providing new information. The 18th and ultimately final interview – the result of a referral by participant number 17 – filled in the remaining gaps and gave me confidence that I had passed the completeness and saturation tests.

Data collection

All interviewees received an information letter describing the study and inviting their participation. Each interview lasted between 45-90 minutes, and took place at the time and location of the participant's choosing. 72% of the interviews occurred at the participant's workplace and the remaining 28% took place in restaurants or coffeehouses. With permission from the participants, the interviews were audio taped in order to facilitate a more natural dialogue and to more accurately capture participants' experiences in their own words.

Interviews were transcribed within 48 hours. Participants were given pseudonyms to ensure confidentiality. In a small number of instances, I do not provide any information about the source of a quote. In such cases, I deemed total anonymity necessary to protect participant confidentiality because the content of the quote might have identified the speaker, or when participants spoke about their boards of directors or other delicate topics.

Data analysis

Thematic analysis was used to analyze interview data, including word repetition. Schutt (2006) refers to qualitative data analysis as “an iterative and reflexive process that begins as data are being collected rather than after data

collection has ceased” (p.327). Indeed, while the formal coding stage didn’t begin until all 18 interviews had been conducted and transcribed, I began the preliminary analysis as I transcribed each interview. Transcription provided an opportunity to revisit each interview and focus intently on the content, without the distractions that are often present during the interview itself. As a relatively new interviewer, I often found myself noticing key points, pertinent quotes and emergent themes during transcription that I had not fully appreciated at the time of the interview. I made note of these patterns in order to return to them more systematically during formal coding. In some cases, new concepts emerged during the course of the interviews. Through “progressive focusing” (Schutt 2006) I was able to refine the focus of the interviews during the course of data collection. An example is the idea of philanthropic engagement with public policy, which was not originally one of my research questions but which became central after it began emerging with regularity in the interviews.

The formal coding process was, as Saldana (2009) has called it, “a cyclical act” (p.8). Once all interviews had been conducted and transcribed, I read through each transcript making note of key themes and trends. From this list, I created a master list of codes, and reread each interview applying the codes to relevant text. From this process, five major thematic areas emerged – how participants think about philanthropy, how they see charity as different from philanthropy, the role of advocacy and public policy in philanthropy, the relationship between philanthropy and government, and the impact of the recession on philanthropy. I then created five documents that represented these

five major themes, and using the cut and paste function in Microsoft Word, assigned coded text to its relevant categories. The text was then further codified to create subthemes within each category. Throughout this process, data were “segregated, grouped, regrouped and relinked in order to consolidate meaning and explanation” (Grbich 2007, p.21).

In some circumstances I also conducted a frequency analysis to determine which issues emerged most often and to identify patterns, although the analysis devotes significant attention to issues which may not have come up frequently but either provided further evidence for, or challenged, the extant literature.

CHAPTER 4

HOW FUNDERS THINK ABOUT THEIR WORK

Pathways into Philanthropy

As was noted in Chapter Three, study participants' previous work experience prior to joining the philanthropic field fell into three categories – those who came from the nonprofit sector, those who came from government, and those who came from the corporate sector. The fact that the move to the philanthropic sector came to many as a welcome surprise is consistent with the literature that suggests that philanthropy often represents “an unplanned occupational shift rather than a career decision” (Horn and Gardner 2006:78).

Just under half of participants (44.4%) came to philanthropy with some previous experience in the nonprofit sector.⁶ This experience gave them a unique perspective on the grantmaking process, having once competed for the same kinds of grants they were now awarding. Tony loved his time working for a nonprofit organization, and said that “the only thing that could have taken me away was the opportunity to work for the foundation that had made it possible for me to start it.” When he made this move into philanthropy, Tony applied his firsthand knowledge of how nonprofits wish foundations would treat grantees:

It is fun to be on the other side and to try to deliver in a way I had wished grantmakers would have done it for me. Having been a seeker, you have sensitivity to their experience and to the power dynamic.

⁶ Percentages add up to more than 100% because some participants had experience in more than one sector.

David suggested that his familiarity with community needs and assets, gained during his career in nonprofits and service on nonprofit boards, put him in a strong position to be hired by a foundation that was “looking for someone who really knew the human service needs in Maricopa County. I was kind of in the right place at the right time.”

A full 50% of participants had some government experience before moving to philanthropy, and many served grantmaking functions while in the public sector.⁷ Grace described the move from government to philanthropy as “a good next step since I was already doing grantmaking, and understood the plethora of human service issues in the community.” She went on to note that the philanthropic sector is a far “more fluid” and less high-pressure working environment, which took some getting used to:

It was definitely an adjustment from my structured, government days. And it’s definitely much more of a low key environment, there’s a lot less of what I perceive as politics, and pressure, and having to satisfy a constituency and always be concerned about those issues.

Suzanne, who also made the move from government to philanthropy, experienced an interesting shift in thinking about the value of money when she changed careers:

In government you quickly become hypnotized by large numbers. So, anything under a million dollars seemed like, ‘Why do you even want to do that?’ [Foundations] would want to do these little initiatives, like fifty thousand dollars ... and I would think ‘You’ve got to be kidding me, why are you doing this stupid pilot project? Let’s just do something statewide and get it done already!’

⁷ See Chapters One and Seven for further discussion of the similarities and differences between governmental and philanthropic grantmaking.

But now that she is working in philanthropy, Suzanne has come to appreciate how impactful philanthropic investments of all sizes can be: “You actually can do really incredible things in terms of changing the state-of-the-art in how people approach something.”

Just over a quarter of participants (28%) came to philanthropy through the corporate sector. Tina said that she sometimes feels like she has to justify her decision to change careers to her former business colleagues:

They look at you so strangely when you’re so heavily invested in this. Like you’re trying to be Mother Theresa. I have no shame, but they never can reconcile that, ‘Gee, you’re this high-powered so-and-so with finance and a PhD, and you’re so into this? All the soft issues?’ Yeah. I am.

Lauren also left a lucrative career in the private sector, but one which required great personal sacrifice. Moving into a position in philanthropy has offered her greater flexibility and more opportunities to share important experiences with her children:

They’ve been to the Humane Society, they’ve been weighed on the big scale at St. Mary’s Food Bank... they see that there are ways to help. So it’s really, really helped my priorities get more in whack. It’s a karmic shift for me, for sure ... This is a lot better payback.

Paul also reported a great deal of personal satisfaction as a result of his philanthropic activities, much more than he ever had during his career in the corporate sector: “I’ve done very big deals in business, but the things I’ve done in philanthropy, the rewards I’ve gotten, the satisfaction is a hundred times, a thousand times more than anything in business.”

Regardless of their professional pathway into philanthropy, participants identified a number of common motivations for joining the sector. Motivations

cited by participants included altruism, personal history of volunteerism and charitable giving, and a sense of duty to give back to the community. But participants also noted several less purely altruistic motivations for getting involved with philanthropy.

Two of the participants – both of whom had been very successful in their previous careers in the corporate world – cited a desire for personal meaning as a significant motivating factor for their move to philanthropy. As Tina described it,

I reached a point in my life where I coined a phrase that characterized what I wanted, and that was ‘to go from success to significance.’ I had accomplished everything that I had ever wanted on a resume, you know, running a big consulting firm, sitting on corporate boards. It was meaningless.

For Tina, the move to philanthropy has provided a new sense of purpose for her life. Paul spoke with great candor about a similar desire to find meaning in his own life after a successful but no longer fulfilling career in the private sector:

Let me say that my view of why I am in philanthropy is maybe different from others in the sense that there’s a concept called ‘enlightened self interest’ that you may have run into, and that’s really where my goal is. I consider myself relatively not an altruistic person and a relatively selfish person in that the reason I am involved in philanthropy is not directly to help anyone but myself, and to create more purpose and meaning and happiness in my life. And the vehicle for doing that is to help others.

Here Paul is speaking about the personal satisfaction that often accompanies altruistic behavior, but which people don’t frequently disclose. He went on to suggest that philanthropy could be strengthened if more people acknowledged this truth:

I've always felt that if others who shared my view were really honest about their intentions of really being gratified by the work that they do, and that that's really the goal and that helping others is a vehicle, I think we'd have more philanthropy and deeper philanthropy.

A less admirable variation of personal reward —narcissism—also emerged in the interviews as a motivation for philanthropy. Kerry noted that while most philanthropists are guided by a desire to meet legitimate social needs, “there are others that are worried about their name being on the building.” Suzanne and Anne agreed that the development of potentially redundant new programs and initiatives by funders can be an exercise in narcissism. Suzanne called it “a dangerous trend,” while Anne said that one of her “pet peeves” is when organizations “are working in identical spaces and wasting millions in overhead because they have an ego and want their name on a door.”

It should come as no surprise that money itself is often a factor in people's decisions to get involved in a career that is built around it. Several participants cited the power and comfortable lifestyle inherent in a career in philanthropy as a draw to some in the profession. Kerry shared a tongue-in-cheek axiom from within the sector that “You'll never have another bad meal or a lack of compliments once you go into philanthropy.” While she laughed when sharing this, she acknowledged that people working in philanthropy really are treated with a certain level of deference because of their proximity to money. Another participant affirmed this sense that the influence of money is everywhere within philanthropy, drawing my attention to the elegant physical environment of her own foundation: “You're currently sitting in a very nice location looking over

Piestawa Peak and the Biltmore [laughs]. So, it's very... obvious, based on travertine tile, et cetera, et cetera."

Key Features of Philanthropy – The Four S's

Given the diversity within the philanthropic sector, participants were careful not to paint the practice of philanthropy with too broad a brush. Grace reported being surprised when she became a philanthropist and learned just how different foundations can be, noting that "I guess I thought that most foundations were kind of made up of the same fabric, and they're not." As was discussed in Chapter One, foundations come in many shapes and sizes and these structural differences can impact how they operate and what they fund. Participants talked about the fact that a foundation's genesis is often the critical determinant of how it functions. One participant referred to different foundations as having "different personalities" which are related to

how they formed and got their endowments and all that. There's not really a standard mold. The background, how it came to be, whether it was a person who endowed their wealth versus this foundation, we came from the sale of a nonprofit hospital so it's seen as the community's money. It's a different perspective than if we were working to dole out an individual's bequest.

David affirmed this sense that a foundation must always honor the intent of its original donor: "The role of philanthropy is to meet the needs and wishes of whoever put the money in the pot to start with."

In spite of the diversity of foundations' origin stories and the representative diversity of the study sample, key themes did emerge in participants' descriptions of the work they do. This section will be organized by

four themes which emerged with great regularity in the interviews, which I am calling “the four S’s” – *Strategic, Systemic, Sustainable and Sizeable*. This new framework for thinking about philanthropy provides an alternative to existing frameworks like those from Frumkin (2006) and Fleishman (2007), introduced in Chapter One, which focus on various philanthropic typologies. The Four S’s focus instead on distilling the key characteristics of philanthropy as described by those who practice it.

Philanthropy is strategic

Eight of eighteen participants used the word “strategic” in their definition of philanthropy. These philanthropists see their work as an intentional effort to reach specific, tangible outcomes through a narrow focus on a small number of initiatives, or as Tina put it, “a strategic investment of resources to address an identified problem.” Jackie described her foundation’s early strategic planning as an effort “to narrow our grantmaking priorities.” As foundations have limited their focus, many are electing to invest in just one or two areas, moving philanthropy in a more issue-specific direction. Walt agreed and noted that as philanthropists and foundations commit to narrower areas of focus, they are becoming more and more educated in the nuances of their specific issue. He called this an increase in “specialization [rather] than broad-brush philanthropy,” and predicted that as funders become more knowledgeable in their areas of focus, nonprofits will find that “if you can’t articulate your need well, you will not get funded or you will struggle.”

Suzanne described the conflict some funders feel between funding widely or more narrowly, and the benefits that come when funds are strategically aligned:

I think you're seeing donors becoming really engaged in one single issue they can really get their arms around, and then relentlessly pursuing that single issue. Boutique philanthropy or whatever... You can not only concentrate your resources, but take a vertically integrated approach where you invest in services, advocacy, public awareness [on a single issue]. That's vertical integration and it's really smart, and that's how we're going to see results.

David described his foundation's move from broad to narrow focus as an intentional effort to make meaningful change:

We're looking at digging a little deeper. Because after ten years of that peanut butter approach of grants for everyone, we have to ask ourselves – how can we really move the needle, how can we dig deeper into a certain problem area and really make a difference?

Janice used a variation of the very same phrase⁸ – “move the dial” – to describe the kind of impact philanthropists are trying to achieve with this strategic approach:

The conversation in the field is much more about impact ... The question that comes up all the time is ‘Are we moving the dial? How do we get smarter and more strategic in our investments so that we can see change in our lifetime?’

By way of illustration of this shift from broad brush funding to more targeted funding, Deidre told the story of the early investments by the Annenberg

⁸ The phrases “move the dial” and “move the needle” were used frequently throughout the interviews and are en vogue within the sector. Philanthropic blog Philanthropy 2173 anointed “move the needle” as philanthropy’s official buzzword of 2009. Two years later, a Google search for “philanthropy and move the dial” returns over 13,000 results, and “philanthropy and move the needle” returns 212,000 results.

Foundation in urban education reform. After millions were spent without strategic goals,

They learned, ‘Hmm, didn’t change anything!’... The number of children going to college didn’t increase, they didn’t increase their ability to read at the third and fourth grade levels, parents were not more engaged in the education process, but we learned from that, it was a multimillion dollar lesson. Now, what you’re seeing is philanthropists collaborating, and looking more intensely at the outcomes they want to see, whether it’s literacy, college readiness, school readiness... they have a more laser focus on the outcomes they expect instead of generally speaking, ‘Here’s a million dollars and I know the outcomes will be wonderful.’ So it’s more intentional.

Grace has also observed this change, specifically among the larger national foundations, toward what she called

Strategic, initiative-based funding. Foundations taking on specific, strategic projects to try to make an impact. As opposed to general, tossing the money out there. More and more I see, particularly the bigger guys, it’s all about strategy, impact.

Within her own foundation, a strategic commitment to a narrow set of priorities is also seen as the best way to maximize their limited resources:

We only have so much, and we really want to make an impact... We have to do it strategically, in areas we’re focusing on in a community. It brings us back to our mission – to reinvest these resources back into the community ... that’s our mandate.

As was discussed in Chapter One, as part of its effort to operate more strategically and effectively, philanthropy is borrowing both language and best practices from the for-profit sector. Jill cited as new buzzwords in the philanthropic community terms like “investment, social return on investment, leverage, and innovation,” with funders looking to operate “more like a business.” Tina agreed that foundations should operate with as much thoughtfulness and

professionalism as a business, and applauded the professionalization of the philanthropic sector:

I'm not saying this in any negative way, but it's no longer being run by a bunch of social workers. Thank god for social workers. But I really think philanthropy should be run like a business. There should be the same level of accountability, the same return on your investment. You should be able to measure it.

Tina went on to note that as a result of this professionalization, philanthropy is drawing an ever stronger caliber of leadership:

The people running foundations are very much peers, equivalent to what you'd find in the corporate world. And the other thing that's changing is that it's getting competitive with salaries. It's not like taking seven steps down to run a foundation. Because it's just as much work as running a for-profit corporation, and with a hell of a lot of accountability. And instead of shareholders you have lives depending on you.

The theme of accountability, cited here by Tina, emerged with great regularity in the interviews as references to philanthropy's focus on outcomes, data, results, and evaluation. Walt called it "a driving force" and predicted that "without arms length, objective evaluation of how dollars are spent, nonprofits will not find easy money in the future." Participants talked about evaluation data as being useful on multiple levels – in terms of providing feedback to funders, assisting grantees to improve their own performance, and providing knowledge within the field. They also cited the role of data in helping determine which projects to fund, as well as its use in measuring the effectiveness of those investments down the line.

Within the philanthropic sector, Anne has observed what she called "a new appreciation for science" and an increase in "due diligence" which has led funders to expect a significant amount of information back from their grantees.

She also felt that just as donors have come to expect data, “people doing the work expect to create those metrics for us to look at.” Jackie explained that over time, her foundation has stopped looking at evaluation in terms of how much they have invested in how many projects, but are now looking more deeply at the impact those dollars and grants have had: “We’re going back to see what was our impact, did we see the needle move, were we able to coordinate or integrate any other programs?”

Participants described using very concrete measures to track the progress of their grants. Walt finds comfort in what he called “mile markers,” which help him discern how the projects he’s invested in are progressing:

Coming from a business background, being in business for 40 years, I like mile markers. I like to know – are we there? Are we going forward or backward? ... It’s exciting to see those mile markers pop up. The mile markers are so important because we as humans want to know how we’re doing. We’ve always been creatures of measurement.

Jill used a similar term, “benchmarks,” to describe the objective measures her organization uses to track the outcomes of its work:

Our guiding principles are basically that we’re outcome driven, we try and measure what we’re doing and what the results are and are we getting to those goals... For instance, we’re looking at the dropout rate in our investment at a local high school. Are more kids taking the SAT? Are more kids applying for postsecondary education? So we set some benchmarks to assess whether our strategy is working. So it’s moving that dial in a bigger way.

Jill highlighted the importance funders place on these mile markers or benchmarks when she explained that they “will not want to continue giving money without seeing the change they’re looking for.”

But Kerry suggested that even an unsuccessful grant can still be extremely valuable to both grantee and funder if properly evaluated to understand why it didn't have the desired impact:

I don't think any investment is a bad one, even if it's unsuccessful, because you learn about what's effective and not. As long as you're looking at what impact it's having, you can use that to change your course.

Deidre also felt that evaluation data is of great importance in terms of providing knowledge for the field, making those grants that specifically fund evaluation particularly valuable: "I think whenever we make grants to organizations to do evaluation and research, that we get more bang for our buck than when we give to programs directly because we learn so much from the data that's generated."

In spite of philanthropy's steady march toward an outcomes-based orientation, a number of participants expressed concerns or critiques about this direction. Anne and Katherine were concerned that this focus on best practices, accountability and results might hamper innovation. For Anne, while the emphasis on data is positive, "you never want a new thing to be stopped because it doesn't have the data yet." Similarly, Katherine discussed the need to find balance between funding what has proven successful and continuing to "test innovation." And as is discussed in more detail in Chapter Six, Sheila, Janice and others noted that investments in public policy or advocacy are often much slower than programmatic investments to show results, which can be at odds with philanthropy's desire for quick and measurable outcomes.

Others suggested that this focus on evaluation may serve the needs of funders much more effectively than it does the needs of the nonprofits receiving

funds. Both Kerry and Janice suggested that many grantees see data collection and evaluation as hoops they must jump through to satisfy their funders, rather than integrating evaluation into their practice in a meaningful way. Kerry reported being disappointed when she learned that grantees don't always see evaluation as valuable to their work:

That was painful for me because initially I thought everyone would want to use data to help them improve their services, but really they know that funders are going to want to see it and they want to be able to say 'See? We're really highly effective!' They're really not using it as a feedback loop.

Janice agreed that the philanthropic sector needs to do more to ensure that the data it is asking grantees to collect is actually useful to them, and suggested that some compromise may be necessary in this regard:

We need to figure out how to manage the information so that it's useful. Everything I'm reading is that the grantees are doing the evaluation because the funders ask them to, without really thinking about how to make the data useful. I hope that the funders and the nonprofits will come to an agreement about what are useful measures.

Joyce reported that the funders she knows are aware of this issue and are trying to determine how much evaluation they really need, and how to make it as useful as possible. She suggested that funders who are too data-driven can miss out on some important progress that is more difficult to measure:

There are some people that are totally invested in evaluation, and think that we should make all our decisions based on that. I think you can judge some progress that way, but I don't think you need to look at things with blinders on. It has to be a little more open than that.

Tina expressed her foundation's commitment to supporting grantees whose evaluations indicate that they need help. Of her foundation's evaluation

philosophy, Tina said: “We don’t punish, but if I’m giving you half a million dollars, I want to know, not to punish you but to help you do it better!”

The concern above about evaluation and accountability’s hampering innovation points to another key way in which philanthropists see their work. As the literature would predict (Carson 2003; Duran 2003; Fleishman 2007), the majority of participants (77.8%) cited supporting social innovation as among philanthropy’s most important functions. Walt first referred to philanthropists as innovators, but then corrected himself: “Actually, let me back up. Innovator is probably the wrong word. But the enabler for the innovator so that their idea can get going and catch fire.” Paul similarly referred to philanthropy as providing “fuel” for the nonprofit sector. Others see the role of philanthropy to catalyze social changes that the government will later take to scale – this issue is further discussed in Chapter Seven.

Most participants who discussed the issue of innovation felt that, as a sector, philanthropy is fairly risk tolerant, in spite of its outcome orientation. For David, the risks are worth taking because gambling on new ideas is the only way to move forward: “We like being risk takers and we know that some might not succeed, but others are worth a chance.” In Joyce’s experience, the ratio of success to failure was good enough that she felt the risk paid off:

There was only one grant we actually had to ask for money back from in thirty years. So, it paid off... I think you have to put yourself out there, take some risks, in order to see things happen.

Investing in new ideas and unproven organizations is not the only way that philanthropy demonstrates its willingness to take risks. Janice cited program

related investing as another strategy which is allowing philanthropy to maximize potential impact – but not without risk:

A number are starting to look at program-related investing where they're actually using their assets -- the 95% of their corpus which normally just stays in the stock market-- leveraging those resources to support charitable activities... That's a trend that I hope increases. Because 5%, which is the normal annual payout for a private foundation, is a pittance. Many program related investments may be the seed investment, the risk capital that an organization may need to attract private equity. So the foundation is willing to take that loss if necessary, but if the venture is successful they'll get that money back. And they create a safe space for private investors who might not have invested up front.

But others argued that philanthropy is actually far more risk-averse than it likes to think. Tony referred to what he called “the lemming mentality” among many funders, who often hold back to see who else in the funding community is going to invest before putting in significant resources. He called this “mezzanine funding – second level,” and suggested that funders operating in this way aren't truly risk takers. He cited the Echoing Green Foundation as an example of a true risk-taker:

Now, they are risk takers because they gave first time grants to people who they felt had the goods to start and be entrepreneurs, but didn't have any organization and were starting from nothing. And they took a bet on them, and some went on to start organizations that you know and win MacArthur Genius Awards, and others didn't. But it was true venture capital.

Tony went on to say that while “second level” funders play an important role in taking those innovations to a wider scale, they aren't operating as risk takers in the same way and are wrong to think of themselves that way:

And then some other organizations came along and skimmed the cream off them... and that's good! There's still a role for them, but they're not risk takers. And yet, what they're doing is hugely important ... But I just think it's funny that some of the foundations see themselves as risk taker

when they're really not. Maybe they are in the sense that they might say, 'This thing that's small and works in Boston now can grow nationally.' But there's not the same risk involved.

Joyce agreed that the majority of foundations are actually quite risk-averse as a result of the great responsibility they have for spending their assets well. For her, "it goes back to the board members. I think they don't want to squander any of their resources, or feel that they've been wasted. Whether they know the founder personally or not, they don't want to be responsible for making any mistakes."

Philanthropy is systemic

A second theme that emerged frequently in participants' conceptualizations was that of philanthropy as "systemic." For these participants, grants should build upon one another in thoughtful ways that support structural change, as opposed to a more indiscriminate approach. Jackie used the dueling metaphors of a pyramid and a mosaic to illustrate her vision of grantmaking as building a strong base and building upon that base in a thoughtful way:

I would say that's kind of how I look at my systemic grantmaking – that I'm looking to make a change, socially, and that I see that it can only be done if we strategically identify how we want to build the pyramid, with a strong base, and not just give funding sporadically, but realizing that if you give funding here and then over here pretty soon you have a mosaic that begins to look like something that we hope is moving in the right direction.

Jackie's thinking reflects a shift from traditional grantmaking, which she described this way:

The standard has been, a project is submitted and it's very programmatic. The funder isn't looking for how it may connect to other pieces that exist in the field of the proposal. I see it more in terms of how I might be able to fund two similar projects and then bring them together to create a

bigger piece of system change... sustainable change, not just on a project level, but at a systemic level.

Katherine reported a similar strategy in terms of viewing grantmaking as system building, noting that she is pushing her organization to “get better at not looking at this grant by grant, project by project, but building a comprehensive system.” For Katherine, while less strategic forms of philanthropy can still make a positive impact, “the potential is so much greater than that.”

While philanthropy’s most central function is and will probably always be the granting of dollars, participants noted that foundations are more and more commonly playing other, additional roles in order to maximize their leverage and build systemic capacity within the social sector. Functions identified by participants included convening stakeholders around a common issue, disseminating research and serving as social archivists, and providing technical assistance to grantees. These functions are well aligned with the literature, which suggests many of the same tactics are being used across the sector (Fleishman 2007).

David suggested that foundations’ “stature in the community” put them in a strong position to convene stakeholders around an issue of common concern. Both Tony and Jackie described their foundation’s strategic work around convening groups of community leaders. Tony cited his foundation’s neutrality and social network as factors contributing to its success in this area:

[We may convene] all the grantees working on school finance reform or environmental degradation or whatever, different things that are happening. And it may not just be grantees, it may be all the key players from all the key sectors. We do that and think it’s a unique role we can

continue to play because we're a neutral convener, we're nonpartisan. And we know a lot of folks, and hopefully they'll trust that we can play that facilitative role.

For Tony, acting as a facilitator and convener allows foundations to take advantage of one of their most important assets: "We have unique capital – yes, we have dollars – but we also have the unique capital of connections, and we shouldn't just sit on it."

Jackie also reported her foundation's work in convening and facilitation and said that by being able to provide this kind of support, they are able to extend their impact more widely than their grants budget might have allowed:

If someone were to come to us and it were not to move to full funding, we try to convene other organizations around it – 'This is a really interesting project.' We'll hold a meeting here and invite individuals we know from the field as so-called experts, we'll do research and provide them with articles or information about best practices or next steps, ideas on how they could connect with other groups in their area.

Participants also cited the important research function that foundations play. Both Suzanne and Deidre provided examples of how their foundation has either funded or conducted research. In Suzanne's foundation, research is disseminated throughout the community but also informs internal decision making:

We use practical, applied research to guide us in our funding decisions toward meeting actual needs, and also toward programs that are state-of-the-art, or moving us toward the state-of-the-art. And on the policy side, the research informs our policy work.

Deidre cited her foundation's support for a statewide data portal as among her proudest accomplishments, noting that

It will be up forever, and my kids and generations beyond will be able to utilize technology to say ‘This is where we were and this is what happened’ and then based upon that historical data, perhaps we can plan and be smarter and better and stronger.

Joyce also cited foundations’ ability to serve as a sort of societal archive, “keeping track of where things have been and where they’re going.”

The third additional function cited by participants was foundations’ role as providers of technical assistance to the nonprofit sector. One participant cited her foundation’s commitment to helping build organizational capacity across a wide spectrum including “fundraising, communications, you name it.” She also noted that her organization has staff dedicated to working with nonprofits on evaluation: “We help local nonprofits who don’t have the luxury of the resources to evaluate what they’re doing really think about how to use data in a way that improves the quality of what they’re providing.” But participants recognized that technical assistance is staff-intensive, and that smaller foundations struggle to provide it. As Tina put it, in her small organization, “the technical assistance is me!” David echoed this same concern when he said that his foundation “isn’t big on providing technical assistance, we just don’t have the staff to that.”

Katherine summed up participants’ feelings about philanthropy’s expanding purview when she said that “philanthropy at its best is about so much more than grant making. It’s about leveraging dollars, it’s about moving an agenda, and it’s about using money to accomplish a greater goal.”

The previous discussion of foundations’ role as community convener focused on the value of collaboration, a topic which came up in sixteen of the eighteen interviews. Participants identified collaboration and information sharing

as an important feature of the philanthropic community, reducing redundancy and increasing the potential for systemic change. They observed that collaboration happens at three different levels – among funders, between funders and grantees, and among grantees.

Collaboration among foundations allows funders to maximize their collective impact and ensure coordination and system building. Kerry observed that “the environment has become much more flexible, the process is more open, more transparent, more collaborative and crossing boundaries where they hadn’t crossed before.” Joyce cited “the value of sitting down together... telling what we were doing so we could see if there were places to come together.”

Participants noted an increase in co-funding within the philanthropic sector and suggested that this represents a change from the traditional funding model. As Pam explained,

Historically funders operated in their own place, their own work, their own focus, and even when there’s been overlap they’ve sort of talked together, heard what each other was doing, but rarely did they put their money together to go after a common objective.

Anne suggested that self-interested philanthropists who neglect to understand the collaborative context they are working in miss out on opportunities to make an impact:

We focus on who else is in the space and I find that a lot of times philanthropy has its self interest as the driving factor, and by not having that sort of broader vision in terms of who else is operating in the space, a lot of opportunities are missed.

Pam highlighted her foundation’s collaborative efforts on a national education initiative as an example of successful collaborative funding, and suggested that

funders have come to like the idea of “buying someone else’s well made product.”

But she admitted that collaborative funding isn’t without its challenges:

It’s hard because everyone’s got their own board, and so you have to go back and forth and everyone has strong ideas ... It’s hard to put your money in the middle of the table and say ‘We own this together.’

Tina agreed that successful co-funding requires consensus and participation in decision making by each participating funder. “I am not in favor,” she said, “of someone else making the decision about my funds.”

But in spite of the challenges of shared governance, Pam believes that collaboration is critical. Not only does it maximize impact, she said, it also encourages foundations to serve as models for the kind of collaboration they expect from their grantees: “We ask [our grantees] to work in partnership and we expect shared decision making... we need to be doing the same thing.” Jill expressed the same perspective about philanthropy’s responsibility to model the collaboration it requires of its grantees, stating “that’s what we should be doing if we’re expecting nonprofits to do it.”

Tina reported that a spirit of collaboration exists among Arizona foundations:

The foundations are all friends. We all talk to each other. If I find something that’s really important I’ll call two or three others and say ‘Go in with me, we’ve got kids with no teeth.’ And someone else will jump in, or vice versa.

Kerry suggested that some unique features of Arizona’s philanthropic community contribute to its collaborative environment:

What I love about Arizona, while the number of private funders is relatively small, we are very collaborative in nature. And I think that’s because we are so small and the fact that we’re all relatively young.

David described a joint summer youth camp fund as an example of a collaborative effort that benefitted both funders and nonprofits: “It meant that organizations could make one application to a central source, saving them time and saving funders time.” While David sees multi-funder collaboration as a way to reduce inefficiencies, Sheila observed that collaboration also is key to social change, noting its potential to reduce “the patchwork ... [and] have more systemic change.”

Another way in which funders are increasingly collaborating with one another relates to transparency and sharing information about both successes and failures. Kerry and Tony both observed a welcome change in the way foundations present themselves and their accomplishments to one another. For Tony, an increased level of transparency and honesty among funders is leading to more effective information sharing:

Early on when I would go to conferences it was a lot of puffing up of chests, stories... and the conferences stunk! There weren't lessons, there weren't lumps... like, 'Here's where I took my lumps.' It wasn't transparent. It was telling our best stories. I still don't think we're there yet, but I've seen pieces and I think we're getting better. But still there are still some who are uncomfortable about doing that.

Kerry also acknowledged an increasing willingness among funders to speak honestly about what has and hasn't worked, as opposed to what she called “show and tell:”

You know, 'Here's our great idea, jump on board.' To really having deep conversations about what people are investing in, what's working and what's not, what does the research say. The idea of collective intelligence working on the side of what's going on in the private sector is something people are starting to be aware of, that's something new.... The idea that

we can move forward by knowing what each other is doing rather than doing show and tell.

Deidre suggested that another positive consequence of this increase in information sharing is an increased ability for funders to hold each other accountable for the things they've promised to do: "The more we push philanthropists to put their money where their vision is, I think we'll see that dial move. I just think we as philanthropists need to call each other on the carpet."

A third feature of collaboration among funders is the sharing of information about the nonprofit community and referrals to other foundations. Several participants provided examples of times when they've facilitated contacts between nonprofits and other foundations. David reflected on the number of times that he's been able to link nonprofits with other funders:

Organizations will come to us who we don't fund, but we're able to steer them toward organizations where there might be some interest. Or, we all talk as a group of grantmakers and we'll say 'You know, we can't fund this right now but do you have any interest in this organization?'

He went on to say that he recently learned that another foundation had elected to fund a project he'd declined but sent their way. He said that "It's always kind of a relief to know that someone else picked up the ball."

Participants also noted a trend of more partnerships between foundations and grantees on grant implementation, as opposed to the traditional, transactional relationship where the funder provides the resources and the nonprofit implements the project, reconnecting to the funder for reporting purposes only. As Pam described it – referencing Fleishman's (2007) framework described in Chapter One – foundations such as hers are "playing the role of partner and driver as

opposed to just awarding grants to serve as a catalyst for other people to get things done.” For her, this direct engagement with the nonprofits she supports is what makes philanthropy “such fun:”

We don’t just award a grant and see you in a year when you turn your report in, or do a site visit halfway through. We sit at the table and work with you, we plan with you, we problem solve with you, we exert our opinions...Which I have to say is a hard way to do it. It’s harder on the grantees too, I must say. It’s a lot easier to go do the work and turn in a report, than to have to sit at the table and do shared decision making about the work.

Jackie also described her work as a partnership with grantees, noting that

We don’t just give the check and exit, we stay very embedded throughout the life of the project. So if there’s an advisory council, if there’s feedback on design, if there’s input on the evaluation piece, as the program director I work with that organization.

Anne expressed a similar desire to participate in the work she funds, not just provide the resources and walk away. She used the example of her foundation’s support for an international adoption agency:

When we give a grant to an adoption agency, we’re going to do more than give money. We’re going to be an adoption ambassador, we’re going to be at the table when they’re talking about new funding from government sources.

Kerry made an interesting point about whether true collaboration between funder and grantee is possible, given the inherent power differential in the relationship. She went on to express some disappointment that she hasn’t been able to overcome this chasm:

I figured you could get folks together and ask what they want, say ‘It’s not about us, it’s about you,’ but head bobbing always occurs when a funder is in the room. And you’ll always be treated differently because you’re a funder, no matter what you do to change it. It is fairly accepted as a dynamic that needs to be understood and ameliorated where possible.... I

really naively believed that you could get beyond that. But I do wonder now whether that was even fair of me, because the nonprofits are always going to be looking at us with a different point of view, a different lens than we will look at them.

In addition to working together to implement projects, participants also identified increased transparency about the grant process as a way in which philanthropists are trying to work more collaboratively with nonprofits. Jackie observed that over time the entire grant selection process has become less secretive and more open:

Philanthropy used to be almost a closed environment, no one ever really knew what was going on, and it was like the wizard behind the curtain. Like, ‘Wow, they’re making all these decisions and I hope we’re really lucky and get the funding.’

Tony also commented on the efforts his foundation has made to be more transparent about its grantmaking process. For him, the point of a competitive process isn’t to trick nonprofits or make them guess what he is looking for, but to gather good information that will allow him to make an informed decision.

Towards that end, he said:

We don’t hide the ball, we let them know what is expected... Sometimes the power dynamic is played out, not even intentionally, it’s just we don’t share information. It’s like, why not give them everything they need to know so that they can perform as well as possible, so we can see what they’re doing? It’s not gotcha! So, I think there are a lot of issues of justice there.

In spite of these changes, both Tony and Kerry felt that barriers to transparency and collaboration between funders and grantees still remain. Kerry cited a belief among many outside of philanthropy that it’s an insider’s game and

only those with connections stand to get funding. She suggested that philanthropists

Could all do better at being transparent about the process of even getting a foot in the door. Now, it perpetuates the thinking that you need to know someone... People think that if they don't have a face to face or they don't play golf with a trustee they're not going to get money. And I wonder how much of that is very true. You know, the good old boy network.

But she cited her organization's policy on conflict of interest as a way to make it clear that grant decisions are made fairly and without bias. The members of her board know not to engage with community members about potential grants. As she explained, "They'll say, 'If you even start to talk to me about your project, you've taken me out of even voting on it. I'm going to say I have a conflict of interest because you talked to me about it.'"

Finally, participants also identified a desire among philanthropists to incentivize collaboration within the nonprofit community, particularly among their grantees. Pam suggested that part of the reason philanthropists are so supportive of collaboration is that "they have the sense that they're funding the same people and projects through multiple programs. So they love to see collaboration." Anne confirmed this observation when she expressed her frustration with the proliferation of organizations with similar missions, all seeking funding from foundations like hers:

We get so many requests from organizations that contact us and want to do this or that, and I'm like 'Did you know that in your city there are fifteen other organizations with that same mission statement? I'm not funding you, and I need to suggest you go back and have a conversation with each one of those organizations.'

Tony suggested that the philanthropic sector could do more to bring grantees doing similar work together:

I don't think philanthropy brings its grantees together enough. Like, if you're supporting ten different organizations doing similar work in housing, why wouldn't you connect them a little bit? Sometimes that's hard or costly, but still important.

By systematically making grants that build on one another and link to other efforts in the field, and helping build capacity and connections among grantees, philanthropy seeks to bring together what might otherwise have been independent organizations and efforts, thus enhancing outcomes.

Philanthropic investments are sustainable

Another theme which emerged in the course of the interviews was the sense that philanthropy seeks to make investments that are “sustainable” – the third “S.” Participants described an ongoing debate within the philanthropic sector about philanthropy’s role in sustaining the projects they fund. One faction believes that philanthropy’s job is to catalyze good work by investing funds on a time-limited basis,⁹ allowing grantees to demonstrate success and setting them up to find other sources to sustain themselves for the long term. Pam called this a common perspective: “Where you’d say you are a catalyst – give them a little fire – but then they’re going to have to take it and run with it.” Here she is again alluding to Fleishman’s (2007) framework for thinking about foundations as catalysts, partners or drivers. Participants also described another, smaller faction

⁹ Typically three years for Arizona based foundations, and up to ten years for foundations with a national scope.

that is becoming more open to the possibility of making longer term commitments to the organizations they believe in.

Participants were critical of the traditional time limitations on foundation support. Katherine referred to it as “just tradition” and said that “it doesn’t necessarily represent the best philanthropy has to offer.” Several expressed concern for organizational stability in the context of time-limited grants. Kerry highlighted the potential damage a significant but short term infusion of resources can do to a small organization:

Some funders who have a lot of resources sometimes don’t think about doing harm... You can’t just come and dump a million dollars on this little nonprofit and then take yourself out in 3 years. That’s painful. So, we’re always really careful about not giving resources that will be hard to replace.

Katherine agreed that foundations have the prerogative to determine when their support will end, but that they need to recognize the challenges nonprofits face in replacing grant dollars:

It’s fine to say ‘We’re going to do this for three years’ or ‘It’s for startup’ or ‘We’re going to instigate it,’ but we have to have a very clear understanding what they’re going to do after that. It’s not like the money is going to somehow appear out of the sky.

That said, she also expressed having felt frustrated as a former grant seeker by foundation’s requests for sustainability plans:

I remember when I was in the nonprofit sector my big issue was that everyone wanted to know how you were going to make it sustainable. Well, you’re not going to make it sustainable by growing a big money tree in the backyard!

In response to this sustainability challenge, Katherine and Suzanne both talked about the importance of nonprofits diversifying their sources of revenue.

Katherine was supportive of what she's observed in terms of nonprofits looking at ways to cultivate other sources of revenue including earned income so that they are less dependent on foundations and other sources of grants: "I think a lot of innovation is happening in this area." Suzanne, whose foundation engages in ongoing fundraising each year in order to be able to make grants, suggested the development of an endowment as another way in which both nonprofits and foundations can stabilize their income, putting them in a stronger position to impact social change: "Then your fundraising can ebb and flow and you can make grants to a greater or lesser degree, but you're not in this crazy cycle."

Another critique of the traditional time limit placed on foundation support is that it constrains philanthropy's potential for true social change. Pam said that she is disappointed when foundations pull out of an initiative before they've seen their desired results, just to meet a predetermined deadline. She cited the Pew Charitable Trust's ten-year investment in universal pre-kindergarten which is now winding down:

It's not done! The work is not done but that's what they do. It was a huge investment of money and commitment and time, but in my mind I don't quite get that... that time defines when it's over, as opposed to the end goal.

Jackie agreed that placing time limits on funding "really doesn't allow for the social justice change that you're talking about." Pam agreed that predetermined time commitments are a barrier to social justice work, noting that "If you're really taking on social justice or systemic changes, you can't do 'three years and you're out.' Social justice issues can't be fixed in a time frame."

A related conflict is illustrated by the choice that many foundations make to only fund programs and special initiatives as opposed to ongoing operations. As discussed in Chapter One, programmatic funding makes up the majority of foundation grants. Participants confirmed this pattern, observing that in their experience foundations tend not to invest in ongoing operating expenses, preferring instead to fund standalone projects or programs within an organization. Joyce described why she thinks this is the case, and the disservice this can do to nonprofits:

A lot of foundations and corporations are more comfortable funding a program that's got a name and a beginning and end, and they know the progress that has been achieved from it... And I know nonprofits have a hard time getting money for operations, everything else that makes them work... I've seen a lot of nonprofits that just keep adding programs to get more funders involved, and pretty soon they can't cover them all, but they keep adding them because it's the only way to get funding.

A result of this programmatic orientation is that that many organizations whose work doesn't easily fit into the discrete program model are ineligible for funding. As Joyce put it, "most social justice work and a lot of really good philanthropy is not program related."

Jackie noted that, in electing not to support operations, philanthropy is encouraging poor business practice among its grantees:

When you think about how businesses are successful, they hire the best and brightest with the most innovative ideas and most creative minds. And pay them a healthy salary. But philanthropy says they won't fund them for operating or overhead costs, and they're only giving three years of funding so how are they supposed to be sustainable? It's like we are asking nonprofit organizations to operate in a very different frame from what we would think would be best business practice.

Participants did suggest that philanthropy's preference for programmatic as opposed to operational funding may be changing. Joyce cited as a growing trend "the move from a program approach to more of the capacity building." Jill talked about the education she has tried to provide for her board to help them understand the need for operational support and how a healthy organizational infrastructure allows organizations to do the work that foundations believe in:

You've got to turn the lights on! Some of my board members struggle with this though, because there is such a desire to have an impact that sometimes they don't want to pay for someone's salary. So part of what we do is educate why that's okay because it's actually going to make the organization stronger. And that's a very hard concept for people to wrap themselves around.

Participants also demonstrated a shift in thinking regarding the traditional adherence to time limits. Katherine suggested that while foundations should certainly continue to catalyze new ideas, it is also appropriate in some instances to say "This is a defined set of money you can count on every year.' There's nothing wrong with that." David also felt that there are circumstances in which foundations can and should make longer term pledges to organizations they believe in, stating that "I think we ought to make long term commitments to certain organizations that we think are vital to the community, and give them the planning ability to work in those dollars and plan for the future."

Philanthropic investments are sizeable

The final "S" which participants referenced in their descriptions of philanthropy was "sizeable." Participants recognized the scope of the problems they are trying to address and, accordingly, the size of the investments that are

necessary to truly make an impact. Tina recalled a conversation she had with the benefactor of the foundation she now runs when the foundation was first being formed. When asked if she would take the job as executive director, Tina told the funder “I’d consider doing this if we could do it in the framework of meaningful – not a lot of little grants, but a few very, very meaningful things.” Here Tina is expressing her desire not to fall into the trap of what David called earlier “the peanut butter approach,” where resources are spread thinly over a broad area but without making a significant impact in any one of them. Tina seems to have convinced her benefactor because, as she put it, her foundation now invests in “one large initiative every other year that’s a multiyear initiative. I don’t believe you can invest one-shot at something. Pervasive issues need pervasive solutions.” This long term commitment of significant resources to a single initiative is evidence of philanthropists’ commitment to impact. Anne also told a story to illustrate why significant financial resources are necessary to make measurable change. A nonprofit organization had come to her foundation with a \$5,000 request for funding to implement a school-based health program:

We went back to them and said, ‘In the district you’re thinking of here, we believe we can spend fifty thousand more wisely than we can spend five, but this is what we want to do.’ ... I don’t want to cost base my grant giving or my spending on programs based on what’s the cheapest option... In this instance, five thousand dollars was going to achieve a poor effect. It was really duct tape over a hole. Penny for penny is the difference. When you look at penny for penny, there was no question about what you should be spending.

Here Anne is suggesting that a small financial investment which makes no impact is a far less responsible use of resources than a larger investment that truly

changes social conditions. Unlike in a business, for-profit model in which contracts often go to the lowest bidder, philanthropists are coming to realize that significant, sizeable investments are often necessary to reach the outcomes they wish to achieve.

How They Talk About Justice

Study participants interpreted justice in different ways. Paul suggested that because “you have a lot of different definitions of what social justice is... I would bet that all social endeavors relate back to social justice.” He cited the controversial topics of abortion and gun control as issues where activists on both sides likely see their work as seeking social justice. Tony also acknowledged the complexity of the term, and suggested that for most people it comes down to a legal issue:

For some it means equity, fairness, equality. Sometimes it’s around issues of race or economic disparities or opportunity... academic achievement, the achievement gap. And for others it’s purely a legal issue. I think more often people think of justice just in the legal context.

Deidre described it as “evening the playing field for communities that traditionally are marginalized or neglected or abused,” a definition that is well aligned with philanthropy. Both Anne and Tina referred to issues of access, either to resources or opportunity. For Anne, “justice really speaks to access. Justice has a lot of economics behind it, social construct behind it. But to me, right now, it screams of access.” Tina agreed that access to resources is a key component of social justice, calling it “a matter of access to resources of all kinds, it’s

economic, it's education, its freedom. It's all those types of thing. Injustice is an abuse of power in every form."

Participants were split right down the middle on whether they hear the word 'justice' among their peers in the philanthropic sector, with half suggesting that it doesn't come up and half saying that they do hear it, at least from time to time. Those participants who didn't hear much of the term 'justice' thought that they should be. Tony expressed his desire to live and work in an environment where "the theme of justice ... is everywhere I go, but it's not used a lot. It's really not." Walt also said he wants to hear the word used more often within philanthropy and within society more generally: "It needs to be part of our lexicon. Most people think of justice in terms of legal/illegal, and not in terms of inalienable rights...But social justice does not come up." Jackie agreed and commented that "I don't know if there is a lot of justice that's intentional in grantmaking." Sheila also wished that 'justice' would be used more often because she believed that "to be involved with philanthropy there is always going to be some social justice behind it." Anne observed that it's not a word she'd been hearing much of lately. "It's funny," she mused, "I think I am hearing that word far less right now. I'm trying to think of the last time I heard someone talk about justice." Deidre agreed that most philanthropists don't see their work through a social justice lens. She used the example of education funding to illustrate her point:

I don't think philanthropists feel, generally, that when they give to education it's an issue of justice. I think they think it's an issue of

becoming competitive, and bringing more jobs, it's an economic development strategy. Justice? I'm not so sure that they connect the two.

That said, she also acknowledged that more and more foundations are expanding their work to include issues of diversity and justice, “issues like racism, African Americans and Hispanics having the same opportunities as other communities, being sensitive to the gay and lesbian community.” And while David agreed that the term isn't often used, he noted that much of the work of philanthropy is in fact in service of social justice:

It's almost implicit in what we do. When you're helping people who are in need, when you're helping improve educational systems – it shouldn't be an accident of birth that you are in a lousy school district and don't get a good education or health care. Or as George Kaiser called it, “the ovarian lottery” – that who you are born to affects your potential for achieving all you can in this world. So while many don't use it, I think it pervades everything we do.

Other participants did report hearing conversation about justice within the philanthropic sector. Lauren said that social justice was “one of the first things I heard when I hired a consultant to help me.” This was an eye opening experience which changed the way she thinks about philanthropy:

I had no idea that you could use money for social justice ... But if you look covertly through that lens, of looking at inequalities, I think social justice is happening in ways that aren't so overt.

Katherine reported hearing it “occasionally,” but that she doesn't hear it as much “in traditional philanthropic organizations... more in kind of scrappy, grassroots advocacy organizations that are dedicated to social justice. I would not describe it as commonly used.” So for Katherine, while the term comes up, it is not widely used across the sector but rather in small pockets. Anne also noted that it's

something you hear about “in some circles.” Janice agreed that it is more often used by funders with a more “progressive” mission, as opposed to other foundations “that really don’t perceive it as their mission to try and change the system – and that’s really what social justice is about.”

Pam said that justice is a central feature of the work of her foundation: “Justice is a word I hear a lot in my world. I would say that social justice is what drives my boss, my benefactor.” But she reported that her foundation is strategic about whether and when they use the term when communicating with the general public:

The interesting thing is that we know that’s not always a compelling argument in the general public so we don’t always use it as the primary argument... We’ve learned that if you just try to say it’s a matter of social justice alone, it doesn’t resonate with people.

Participants had many ideas as to why justice doesn’t come up with the regularity they might wish it would. For some, justice sounds like an unattainable goal, which is at odds with philanthropy’s results orientation. Sheila speculated that “it might sound like a lofty term, like how are we ever going to achieve social justice? It’s too big... larger than life.” Kerry also noted the upscale battle inherent with social justice efforts when she said that “It’s really hard to change – to alleviate human suffering.”

Some suggested that it’s just not part of the worldview of the average donor, board member or foundation CEO. Katherine acknowledged that she was speculating, but suggested that we “start with the assumption that it’s just not in their frame. I don’t think it’s an intentional thing, like ‘Let’s avoid that word!’ I just don’t think it’s in their frame.” Grace agreed that charity is a more

comfortable framework than justice for many philanthropic leaders, “because they are who they are, the age, the sector of society that they come from.” She went on to say that the term can be “intimidating.”

Others also brought up the possibility that talking about justice may stir uncomfortable issues related to class. Some suggested that this may be especially pronounced for those most privileged members of the philanthropic sector who have likely benefited from current social structures. For Katherine,

Justice implies that... it means that we're negligent in creating a just society and that probably makes people uncomfortable. That probably challenges their core way of being. Because most people in the philanthropic sector have probably lived a relatively privileged lifestyle so to think about justice challenges the fact that there are people who are deserving of something that aren't getting it. And that probably does make people uncomfortable.

Another participant expressed a similar sentiment when she said that:

The way I look at the structure of the boards, the trustees... often times, if they are conservative and they have generated their wealth from the system as it is, they are not necessarily inclined to overthrow the system. It's been good to them. So they would want to provide a hand up but not necessarily change the system, because it works for them.

Grace observed that social justice efforts are often compensatory, “providing justice for certain groups that don't benefit from the structure because it was designed by a specific group to benefit themselves.” This type of work requires an acknowledgement of inequality that some people, she said, “are not willing to do a lot of.” When asked if justice is a scary term to some funders, Deidre responded “I do think that. I think there's a part of philanthropy that's very classist. And if we equalize the playing field, we may be jeopardizing someone's estate, someone's community.” Tina made a similar observation about the issue

of sharing resources when she asked “What’s justice but giving someone access to resources?” For this reason, she saw the concept of justice as “dividing.” But Deidre thought that philanthropy might be starting to overcome some of these barriers, if slowly:

In general when you look at private foundations, when you look at the mission and vision, there are very few that started out with the word equality or inclusiveness or diversity in them. Those are phrases that have just recently become acceptable for philanthropists to put in their mission and vision statements. And I credit that a lot to the state of our nation in terms of the diversity and the number of communities of color that have cropped up across the country and forcing us to work together and to define community differently.

How They Talk About Social Change

Social change, on the other hand, was seen by participants as a less threatening concept. Joyce suggested that in general “people are more comfortable with the term social change than they are with social justice.”

Deidre agreed, stating:

Social change is an easier concept than justice. I think philanthropists would say ‘Yes, we’re making social change. We’re changing our community and making our community work.’ But I think that’s different from justice ... I think justice creates a sense of civil rights, and more political movement, whereas social change is the right thing to do, just like the word charity. It has a softer feel; it’s something we can embrace without giving too much away.

But even though social change may be a more palatable way of talking about justice-oriented philanthropy, other barriers prevent it from becoming a central priority. Most notably, participants described social change work as slow going, making it difficult for funders to see results within a grant period. As Pam put it, “If we could eliminate poverty in ten years that would be fabulous! But I

haven't seen any sign of that." Anne cited what she called "the tedium involved with social change" as a challenge, saying that many people become frustrated with its "incremental" nature. One participant told this story to illustrate her realization that great patience would be necessary in order to make significant change:

The work we are trying to do takes a very long time. I remember the day the legislature put First Things First back on the ballot and I was driving home and I was like 'Oh my god, I can't believe we're doing this again.' And then there was a story on NPR about the Palestinian and Israeli conflict on the Gaza Strip and I was like 'Okay sister, suck it up, you've been at this for fifteen years, and we're talking about two lifetimes over there.' Social change is hard work, and you've got to be okay with not having instant gratification. You've got to invest for the long term.

Kerry agreed that social change work requires a sustained commitment, which hasn't always been the way philanthropy has operated: "If you want to be upstream, you're going to be in for a really long haul. And your resources have to be very different, and it's a long term commitment." Tina expressed appreciation for donors and others who recognize that social change takes time: "I give credit to the people who fund this foundation for their sense of patience. Their willingness to invest over long periods of time."

Katherine also observed that in order to be successful in social change work, one also has to be comfortable with a certain level of chaos and unpredictability. She herself struggled until she came to terms with the fact that the work will probably never get easy:

I had to come to terms with the fact that I picked a field that fundamentally is social change. It's about changing the norm, pushing people beyond their comfortable boundaries, trying stuff we haven't done before. And if I'm looking for a time when I'm going to coast, I'm not

going to find it. I'm going to get okay with that or pick a different field. The very nature of pushing the envelope creates a certain level of chaos.

In spite of these barriers, participants expressed a sense of optimism about the possibility that the philanthropic sector will continue to evolve toward a more justice-based orientation. David referred to the coming retirement of philanthropy's "aging population of leadership" as providing a potential opening for a younger generation to take over leadership roles within the sector. Grace also cited the potential for philanthropy to "shift dramatically as people are aging out." When asked how this new generation of leadership might differ from the current leaders, David said "I think it would be more toward advocacy, more activist. I would hope." Tina was also hopeful that the younger generation would have the patience to commit to long term strategies, noting that

They have nothing but time! When you run out of time is with people like me who want to live to see an accomplishment – 'God, I can't wait twenty years, maybe I won't be here!'

Deidre has observed a hopeful trend toward social justice among younger donors who understand that "the have-nots becoming educated and being eligible for jobs with reasonable salaries that allow them to purchase property and give back to their community shouldn't be a threat." As a result, she said, "We have seen a trend of Generation X in their philanthropic giving looking at projects that result in self sufficiency." She went on suggest that this is part of a larger cultural shift in philanthropy:

We're not giving from ivory towers, were not seeing philanthropists in \$3,000 suits write big checks, but were seeing folks that look like you and me in their blue jeans, going directly to those nonprofit organizations, sitting there and learning about them, engaging them, communicating with them without fear, and then writing the check.

CHAPTER 5

UPSTREAM VS. DOWNSTREAM

How Charity is Different from Philanthropy

Participants saw charity and philanthropy as quite different concepts, in keeping with the literature reviewed in Chapter Two. Participants framed the difference between charity and philanthropy as the difference between short-term social service and long-term social change, and identified with the philanthropy framework much more strongly than the charity framework. They saw charity and philanthropy as differing on a number of variables including level of donor involvement, donor expectations of specific outcomes, emotional/religious motivation, and whether the intervention is upstream/proactive or downstream/reactive.

Study participants saw donor involvement as significantly lower in the context of charity than philanthropy. Anne gave this example to illustrate her vision of charity:

I think of charity as more like the ten dollars to the ASPCA. Not that it's not important. But in my mind I guess that's what I think of as charity. Things that don't involve... where you know someone else has a handle on it.

Katherine provided a similar example of charity when she invoked "the retired teacher writing a check every year to the Humane Society." Sheila affirmed this difference, stating

I think of philanthropy as charitable giving with more involvement... I don't think of just writing a check. I think of getting to know your organization, maybe helping them with a business plan or connect with other organizations for collaboration.

Charity was also viewed as a far more straightforward framework for giving than philanthropy, in large part because donors engaging in what they see as charity do not typically have specific outcomes in mind when they give, other than alleviating an immediate need or, perhaps, the feelings of personal reward cited by Paul. For David, at its core charity is “just giving because people need it.” Or as Deidre put it, “when I think of charity I think of giving without having a return on your investment ... I think that people can be charitable and not even understand the need.” Jackie highlighted the element of meeting basic needs that is often associated with charitable giving: “It would be giving of a kind or benevolent act to individuals who are in desperate need, without any strings attached.” Deidre cited the moral framework often associated with charity when she described it as “just giving because it’s the right thing to do.” Sheila affirmed Deidre’s sense of charity as emotionally-driven when she called it “something that’s coming from the heart.” Others thought of charity within an overtly religious context. The term made Katherine think about the work of faith-based organizations because “a lot of what motivates individual donors is their sense of faith and their commitment to the principles of their faith. Most faiths have a tenet of giving and I think about charity in that context.” Deidre also cited the religious notion that “the poor and needy will be with us always so those who have, have a responsibility.”

In contrast, participants saw philanthropy as a far more cerebral and results-driven enterprise. Anne clearly laid out the contrast when she observed

that “philanthropy has that outcome in mind. A specific outcome or a specific set of metrics, where charity probably has a specific emotion attached.”

Jill cited philanthropy’s orientation toward solving problems rather than providing temporary relief as another way in which it is different from charity:

I think philanthropy is being more strategic in ... where you put your money and what kind of outcomes you’re expecting, and what you’re looking for and what are your goals. I think a lot of times people just write a check and don’t necessarily know very much about the organization – they don’t know the structure, they don’t know really in the big picture what kind of systemic change they’re looking for. And I think in philanthropy you’re looking for something different. You’re looking for that dial to be moved a little bit in a larger way, and not just fund an organization but to solve a problem.

Joyce’s definition of philanthropy sets it apart from charity in its deliberation as well as its expectations for a specific outcome:

I think philanthropy to me is more thoughtful than charity. You know, both are good things to have happen in a community, but when you look at philanthropy you kind of set your goals further out and you’re heading toward that goal through a lot of different means. But you still know what you want to accomplish.

Lauren echoed Joyce’s sense that philanthropy is a more strategic undertaking, and further described the difference between charity and philanthropy as the difference between a donation and an investment:

There is a big difference between a charitable donation, which – when I think of a charitable donation, I just trust the organization and I’m giving them some money to do with what they need...And that, to me, is charity. But they’re really not seeing how every dollar is spent. And philanthropy is a longer term scope...this is the type of help we want to give to the nonprofit sector, these are the kind of things we believe in. And charity is really charity. It’s ‘Here you go because we believe in your organization.’ And there’s no follow up, there’s no need for it. Because there’s trust there. It’s really the difference between a donation and an investment.

Philanthropy as upstream, charity as downstream

Participants described charity as downstream – responding to an immediate need—and philanthropy as a more strategic, upstream form of intervention. They conceptualized upstream philanthropic intervention in three ways: as systemic change (efforts to change social structures and institutions to prevent the social conditions that necessitate charity); as prevention/early intervention efforts (such as early childhood education or prophylactic dental care which encourage good educational and health outcomes, respectively); and as efforts to increase self sufficiency (such as adult education and job skills training which make individuals, families and communities better able to meet their own needs and less likely to need charitable intervention downstream) .

The parable introduced earlier in this paper—fishermen watching the babies float down the river—was invoked by several participants as a way to describe the difference between charity and philanthropy. As Paul put it,

When I first studied philanthropy 20 years ago we were taught that philanthropy is really the search for upstream solutions for problems while charity is the immediate relief. And there was of course the very well worn biblical phrase about ‘giving the man a fish, or teaching him to fish.’

Kerry used the same metaphor when she explained that “the charity concept is way down river, pulling the babies out.” Walt also sees charitable giving as focused on immediate downstream needs at the expense of longer term changes. He defined charity as “more like social services, and helping the needy, without being a catalyst for change.” But Anne suggested that a distinction based on basic needs is inaccurate, “because I think thoughtful philanthropy *is* addressing basic

needs, like Educare [addressing educational disparities] or Gates' fight against malaria." For Anne, the difference is how the funds are used – strategically, systemically – and not necessarily the issue they are addressing which make something charity or philanthropy.

Who uses the charity framework?

For the reasons cited above, participants suggested that individual donors are often more comfortable with the idea of charity than the idea of philanthropy.

Deidre observed that, outside of the professional philanthropic sector,

People are more comfortable saying charity than philanthropy ... I think it's an easier word, I think it indicates compassion, it's a softer term, it's a loving and embracing term and an easier word to describe giving. Philanthropy is a tougher word to pronounce, it's difficult to describe, and it's not easily used in every sector of the community. Charity goes from church to school to governmental institutions, and people understand it. Philanthropy is not nearly as easy to use.

David agreed that, in general, individual donors "feel more comfortable thinking that they're being charitable." While the two words may mean different things to those working in philanthropy, Janice suggested that among the general public the two can be used interchangeably "depending on how sophisticated a person is about the distinction."

As is discussed further in Chapter Seven, the charity framework is often invoked by policymakers and elected officials as a way to force the hand of the philanthropic sector toward those issues that government doesn't want to fund. Indeed, when asked whether she ever hears the term charity, Pam said that she does hear it "from policymakers who still refer to charity as being the role of private philanthropy."

On the other hand, the term seems to have taken on what Jackie called “a negative connotation” within the profession. As a result, it is used far less often by those in the philanthropic sector than those on the outside. “I don’t hear it as much,” Tina mused. “You’re right.” The majority of study participants shared Jackie’s negative connotation and felt that the term is no longer relevant to their work. Jill referred to it as “dated. And it’s almost a dirty word for us [laughing], because we’re more about philanthropy and strategic investment.” Grace also had negative feelings about the term, saying that “I really don’t like that word, to be honest. I just think it’s derogatory, and it makes me uncomfortable to say it. Paternalistic... outdated.” For Tony, charity represents a hierarchical approach that is no longer relevant in the context of contemporary philanthropy:

I think some people don’t recognize that it’s a little bit of a patronizing kind of word. It’s sometimes used synonymously with philanthropy but I think it’s starting to become a little bit... old. I think charity more often now takes on a connotation of top down, ‘I’m going to help the little people’ kind of thing. And it’s still with good intentions, but it just seems a little bit elite. Whereas philanthropy can be, hopefully, a little more thoughtful and more engaged.

David agreed that the term is old fashioned and further criticized what he saw as its inherent judgment against the recipients:

I hate the word charity [laughs]. It just kind of infers a handout, people who just have their hands out. And it doesn’t recognize the professionalism in the nonprofit community. I think charity and alms, all those things were kind of Dickensonian terms... Gothic England, that sort of thing.

Several participants identified limitations inherent in the traditional charitable model. For Walt, the charitable mindset prevents funders from seeing

and reaching their full potential. As he put it, “organizations can find themselves going around in circles in that charity mode and not going out and really trying to make substantial change, be a catalyst for the greater good of humanity.” Anne suggested that the charitable framework can result in “foolish” spending, what she called “reactionary philanthropy.” She was quick to admit that her own foundation falls into that pattern from time to time – “I’m not saying we don’t engage in some of that. Some of the grants we give are short term, accomplishing a faster need.” But she challenged funders to move beyond this type of reactive giving and instead to think strategically about how to make the greatest impact with their dollars.

This distinction between charity and philanthropy is part of a larger conversation currently taking place among philanthropists, as evidenced in Chapter Two. Kerry talked about this national dialogue in these terms:

Within the field of philanthropy there is a conversation about the difference between charity and changing social structures ... It’s a dialogue that is currently occurring among at least the big foundations nationally. Philanthropy by the definition of the word is more about making social change.

Janice affirmed Kerry’s observation, suggesting that “charity technically is addressing immediate needs while philanthropy, at least among progressives, is seen as more social change.” For this reason, the sector’s move away from the charity framework and toward a philanthropic orientation holds promise for social justice.

Examples of Upstream Funding

As discussed in Chapter One, a growing number of philanthropists are moving ‘upstream’ and investing their resources in trying to address the root causes of social problems by investing in systemic change, prevention efforts, or self sufficiency. Jill suggested that these more strategic forms of philanthropy have evolved in response to dissatisfaction with the purely charitable model: “I do think that long term structural change is what they’re trying to invest in. And they’re doing it because they don’t see the traditional methods as working.” Tina acknowledged that while this type of philanthropy may not be easy, it is critical: “Addressing the roots versus the consequences requires patience, requires delayed gratification, requires a lot more money over a longer period of time, but I don’t see how you make change unless you do that.”

Walt described the benefits of looking at the root cause of a social problem with an example drawn from his career in the corporate sector. He told the story of Motorola, which in the mid-1980s implemented a system known as Six Sigma to reduce the incidence of faulty phones. With the Six Sigma system in place, engineers were able to identify the component that was causing the phones to break down, replace it with one that worked better, and significantly reduce the frequency of defective phones. But, as Walt observed,

The social sector doesn’t use Six Sigma. We go out and build more prisons, we come up with draconian laws, and what we’re doing is trying to solve the problem where the problem manifests. Like with the cell phones, you can either get to the root cause of the defects or you can fix them in the field, or trade them in. But you can’t trade in people, and fixing them in the field is expensive and often doesn’t work – we know the recidivism rate is 70%. So we need to learn from Motorola and go to the basic root causes of social dysfunction.

In recognition of the value of addressing problems where they start, many participants expressed a desire to move their grantmaking upstream. Tony explained that his goal is to do the systemic, upstream work:

Maybe you've heard this... whatever you call it, but the babies floating down the river thing? Well, I want to be the guy running upstream stopping the babies from falling in, even though there is a role for those who get in the water and pull them out. I was conflicted, because when I was in law I was working on individual cases which were very powerful and very emotional. But the work I gravitate toward now is more systemic.

I asked another participant to talk about a quote on her foundation's website which cites its mission as "addressing the underlying causes of social issues to achieve lasting impact." She described her thinking this way:

I think we're in the minority because it's a lot easier not to do that. It's a lot easier to fund needs that are brought to your attention, they're very immediate, and they're very justified for funding. I guess I go way back to the old concept of investing in... the way we put it on our website is 'investing in issues, not agencies.' When you invest in an issue, you have to find the etiology of it. Where did this issue start and what can we do?

Lauren talked about her foundation's recent revision of its mission statement which has freed it to do more systemic, upstream work. Prior to this revision, she said, "we were giving a third of our money to basic needs ... It began to feel that we were doing charity instead of investing. It felt like that wasn't our role."

When asked for an example of an upstream solution in action, Katherine had difficulty coming up with one: "I'm trying to think of an example when they kind of jumped in upstream and I'm having trouble thinking of one. The traditional approach is to solve an immediate problem that's in front of them."

Anne suggested that this is in large part because of the great needs that

philanthropy is called upon to address: “A lot of times people and organizations get so buried in responding, they don’t have the time or resources to go upriver.”

But other participants were able to provide some upstream examples from their own work. As noted earlier, participants’ conceptualization of upstream interventions fell into three categories – prevention initiatives, systemic changes, and efforts to increase self sufficiency.

Prevention

Participants who conceptualize upstream solutions in terms of chronological interventions that prevent later problems had no trouble providing examples. David explained that his foundation “works both ends of the stream,” funding both prevention and intervention efforts. He cited investments in dental sealants for low income children to prevent tooth decay and support for child abuse prevention programs as examples of his foundation’s upstream efforts. Anne described the work her foundation has done to reduce rates of cervical cancer in Latin America. In their attempt to understand why cervical cancer rates were so high, she discovered a high rate of child sex trafficking and made the link between early, unprotected sexual activity and cervical cancer. She connected with the groups working on child sex trafficking and has been working collaboratively with them to refer young trafficking victims for cervical cancer screening. As she explains, “Even though [sex trafficking] is not something we were taking on directly, we were being as inclusive as possible in terms of addressing the root cause [of cervical cancer].” Lauren identified early childhood education, teen pregnancy prevention and community revitalization as examples

of her foundation's preventive, upstream efforts, and called this type of work "very exciting."

Systemic change

The second way in which participants conceptualized upstream philanthropy was in the context of investments that result in changes in how social structures operate. One participant's examples of systemic upstream solutions both focused on system changes leading to improved outcomes for vulnerable populations. Her foundation has funded a policy position within state government dedicated to issues facing older adults, and funded trainings for judges and other court officials on how to better handle child welfare cases. Jackie cited her foundation's support for curricular redesign at a state university as an example of institutional, systemic change: "It isn't only going to impact the recipient of the funds, but it's really going to disseminate knowledge locally and nationally." Grace gave the example of an experimental intervention her foundation funded to improve pain management among dementia patients. The project has proven so successful that now the intervention is being replicated throughout the country and even internationally. In each case, the purpose of the grant was to support innovation that can ultimately change the way that institutions and systems operate. However, participants' conceptualizations of systemic change in action reflect their own biases and may not be fully representative of the depth of transformation that would truly be required to change social systems.

Self sufficiency

Other participants understood upstream solutions to include those efforts that help build capacity in individuals and communities so that they don't end up needing charitable assistance downstream. Sheila cited a program her foundation has supported which assists single mothers in going back to school to obtain nursing degrees. As a result of the program, more than fifty women have graduated with nursing degrees and now have well-paying jobs that allow them to support themselves and their children. Suzanne also referenced education, particularly higher education, as an investment in the future:

What we should be doing is getting people into college ... Yes, it's frontloading the cost, but you know what, at the end of four years they aren't going back to the street. At the end of four years they're self sufficient.

Tina described a special fund set aside within her foundation which is used to assist individuals in overcoming that one last barrier that is preventing them from self sufficiency. In her example, we imagine ourselves as a woman who has recently left an abusive husband, has received legal and health care services, but struggles with one more barrier to being able to get completely back on our feet:

You're safe, you have some housing, your little guy who had all these hearing problems now has hearing aids, all you're missing to go back to work or school is the fact that you don't have any front teeth because someone smacked them out of you. [This fund] will replace your teeth, it will get you glasses, it will get you a battery for your car. It will take care of that little impediment that keeps you one step short.

Critiques of the Upstream/Downstream Framework

Participants identified three significant critiques of the upstream/downstream framework: 1) It oversimplifies the entrenched nature of social

problems; 2) It is not always easy to draw a line between upstream and downstream, and; 3) Both types of intervention are important.

Participants felt that the upstream/downstream metaphor oversimplified the complexities inherent in social justice work. “A lot of what social justice is about is so systemic,” Pam said. “The injustice is so systemic in our society.” Janice agreed that “it’s very complex to try and change systems.” Kerry was critical of the idea that there is a silver bullet just waiting to be found upstream:

It’s more complicated than that. I feel like whatever the issue, it sounds like if you go far enough upstream you can find out who’s throwing in those babies. If only! [laughs] And I just find it fascinating, because if it was all that simple, we really wouldn’t have any problems left in our system. And some of it, like poverty, is just such a difficult nut to crack. And the structural changes that would be really required to turn all that around in the U.S. is really substantial, and requires changing hearts and minds and how folks think about things.

She cited the example of incarceration of men of color as an area where her national philanthropic colleagues are “trying to drill down to see who’s throwing them in the river.” She went on to say that an upstream/downstream framework sets up an unrealistic expectation that “it’s just a matter of running upstream and finding the solution, but it’s not as easy as that.”

Participants also noted that it’s not always easy to designate whether something is upstream or downstream because so many interventions have both individual and structural consequences. One participant cited the national early childhood education initiative her foundation is spearheading which provides early education and health services to low-income young children and their families (downstream) but also serves a platform for increased public investments in early learning through advocacy and public awareness (upstream): “We fund

great practice for 200 kids, but at the same time we're trying to change policy so that ultimately they don't need us anymore." She said she was proud that her foundation was doing both, noting that "I would never say one is better."

Another participant gave a similar example when she talked about her foundation's decade-old partnership with an inner-city Phoenix school district.

Over the past ten years, she calculated,

Thirty, forty thousand children have received health care. Can we speak to that and what it's done for their future? We really can't speak specifically to that, but we really have invested long term and given kids access to health care who wouldn't normally have that. And there is something to be said for, kind of, being there in that community and helping it along. And it has shifted a lot, and a lot of people have come out of it really escaping poverty and I'd like to think we're a little part of that.

Kerry gave a similar example of her foundation's donation of school clothes to low income children, in response to problems like "kids who are wearing their brothers' shoes that are three sizes too big and they can't physically engage in activities." What might at first glance look like a simple downstream act of charity can actually help change the way a child performs in school, opening up new doors for him throughout his lifetime. "We get so many examples about the difference for a child and their family having the right clothing to be in school," Kerry said, "which can make all the difference!" Here Pam, Grace and Kerry are encouraging us not to underestimate the way in which well-implemented programs can be transformative, setting individuals and families on a different life path. As Kerry put it,

You can be changing things at that structural level and not even know that's what you're doing. So it's a very hard thing to tease out when people are trying to say 'Is this charity, or is this social change philanthropy?'

Because of the value of both upstream and downstream interventions, and the difficulty in parsing one from the other, participants seemed to agree that there is a role for each within philanthropy. Participants expressed some discomfort with the idea that that philanthropy would ever invest exclusively in either upstream or downstream solutions. Specifically, several participants took issue with a quote I read to them that defined social justice philanthropy as “philanthropy that facilitates the changing of social institutions so they don’t produce the very problems that ‘charity’ tries to alleviate” (Rabinowitz 1990: xi). Katherine was “uncomfortable” with the thought that someday charity would be phased out altogether, stating that

I think there will always be a role for both charity and philanthropy. Indeed, I agree with the part that it’s trying to do the upstream work, the institutional work. But there’s always going to be places where different types of people fit in for different reasons to make society better, more just. The part that makes me uncomfortable is to envision a time when we don’t have both. Even when you’re pushing people to do the upstream work, I think its okay to acknowledge and validate charity, too. To diminish that is not okay.

Jill also pointed out that when funders are giving within the charitable framework as an emotional response to suffering, they are making an important contribution to society: “Giving just to give because you feel bad about something is okay too! I’d rather that they give for that reason than not at all.”

But Kerry expressed worry over what she sees as some in philanthropy “questioning whether there’s still room for charity.” For Katherine and Kerry, philanthropy’s evolution toward a more upstream orientation must not occur at the expense of people’s immediate, basic needs. Instead, they noted that society

needs both, and that the foundation community needs to continue to fund on parallel tracks. That being said, Kerry reported being in “some interesting conversations with those who feel like it really has to be one or the other, and what particularly it needs to be ... So that always interests me too, this whole ‘it’s one or the other, not both equally, and/or.’”

Paul admitted that at one time he was one of those people, falling down firmly on the side of upstream solutions – “teaching people how to fish.” But he said that more recently he’s realized the importance of the two pronged approach:

I’ve realized that it’s not all black and white like that because if instead of giving a man a fish you teach him how to fish, while he’s learning how to fish he has to eat. So if you don’t feed him while he’s learning how to fish, he’s never going to learn how to fish.

Now, he says, he believes that “it’s imperative that both areas are spoken for and there should be a balance between the two.” Tina cited similar problems in the contexts of addressing the root causes of hunger and domestic violence:

If we don’t feed the kids while we’re doing this, kids will die while we’re looking for the root cause. If we don’t protect the women that are being battered and put them in the shelter, what good is looking for the cause of battery?

Kerry also pointed out the problem with investing all your resources in upstream solutions when she said: “I worry that there is a perception that if we just all run upstream we’ll figure it out, but in the meantime, how many babies are drowning?” These participants point out the potentially devastating consequences of redirecting all the resources that otherwise have helped people who are already in need. At the same time Janice noted that there are also consequences if we invest all our resources downstream at the expense of systemic solutions:

The philanthropic community needs to think holistically. If everyone's operating on feeding the starving babies and nobody's looking at how the babies get into the system in the first place and what structural changes need to be made as well... You have to do both.

In recognition of the need to balance these priorities, some participants reported that their foundations are trying to find a way to address the entire spectrum of need. Tony reported that his foundation is

moving towards and adopting social change as part of its lexicon ... And yet we're not doing it to the exclusion of those who are jumping in the water. Food pantries play a really important role, and we support them too.

Kerry also described her foundation as being cognizant of how their funds can best meet the needs of the community, at whatever level they can do the most good: "Our board takes a pretty wide view of the importance of both charity and philanthropy, but they are always questioning how to use their resources to maximize them in the place that's needed the most."

Other participants reported that while their own foundations weren't taking on both ends of the spectrum, knowing what else is happening in the sector helps them determine the best place on the riverbank to invest their resources. The philanthropic community, Tina said, needs to have "a very sustained strategy that supports a collaborative solution." Kerry also believed that there is a need for intervention at all levels:

From my point of view, when it comes to the river, there needs to be everybody. Until we've come up with a cure for that social ill, not paying attention to pulling babies out at the end is a pretty dangerous perspective. So I think there's room for all that work.

But she cautioned funders to be honest with themselves in determining where they can really make the greatest difference:

What I think is important isn't where you want to be on the bank, but what's your capacity. It's a matter of resource capacity, financial, but also human capacity. You've got to figure out who you are and whether your capacity matches what you're trying to accomplish. And if someone finds a cure, holy god lets all jump onboard, but until a cure is found then there's room for everyone along the bank. And don't become obsessed with running up and down, up and down, to that you're not doing anything. Figure out who you are and what your resources capacity is so that you're actually doing something on the bank that's useful.

Joyce also felt that there is work to be done at every step along the river:

Somebody's got to be working at all the levels – there are niches, everyone can find the place they see themselves. I think it's just that the work is so slow that there aren't more people at the top. But if we don't work up there, we'll never stop the flow. So [someone's] got to go upriver.

CHAPTER 6

PHILANTHROPIC ENGAGEMENT WITH PUBLIC POLICY

Participants recognized the potential value of philanthropic engagement in advocacy work, and the ways in which good public policies can encourage the outcomes foundations work to achieve with their grants. Walt saw advocacy as part of philanthropy's role as a social change agent:

Whether its voters, the mayor, the county board of supervisors, a school board or the legislature, we have got to change public policy. Unless we're real happy with the way things are working now.

Walt's comment reflects a reform agenda that is inherent in the work of many philanthropists, and one which lends itself to public policy work. Jill agreed that when foundations are working in areas that are naturally intertwined with the government, such as public education and health care, "unless you're in there trying to make some policy changes it's going to be tough to move that dial." Anne cited advocacy as a key element of her foundation's work to "challenge the 'paradigm of perpetuity' – the notion that there will always be child abuse, for example – so that, eventually, we can reallocate resources to new issues that arise and start seeing some shift in the outcomes that matter to us."

But participants also recognized the many challenges inherent in advocacy work, concurrent with those discussed in Chapter One and analyzed in detail in the Barriers section below. Of overcoming these challenges, Lauren said with a certain reluctance, "it's so hard. But until we change the policy, we're going to get nowhere. So we kind of have to do it." Katherine expressed disappointment

with the opportunities that are missed when foundations opt not to engage with advocacy work:

I think philanthropy collectively has significant policy power in the US, and in fact sometimes I get frustrated because I think they have more than what they even acknowledge, and could do more to drive a social agenda, and quite frankly hide behind the ‘we can’t do advocacy’ think. Which is not entirely true, there are limitations in some instances but policy isn’t just advocacy. Overall I think there’s huge potential, especially for the established foundations, to drive an agenda that’s bigger than just a grantmaking agenda.

But in spite of their understanding of the value of advocacy work, some still struggle with how to operationalize it for their own foundation. Sheila explained it this way: “It’s sort of like putting a band aid on it if you only give to programs. I think advocacy has to be part of the puzzle. How we do that as a foundation, we’re kind of in the initial stages of figuring out.” Jill believes that many funders have embraced public policy as critical to making a real impact, but that “they’re just struggling with what that looks like. Because they don’t want to be lobbyists.” These participants articulated a conflict for foundations that wish to have a voice in public debate but are hesitant to drift too far away from their grantmaking mission. Sheila referred to advocacy as being “part of the puzzle,” while Janice sees it as one component of “a multiple pronged strategy [so that] advocacy would be a piece of what they do, in a strategic area that’s consistent with their grantmaking, so that they’re enhancing their grantmaking.” This theme of using advocacy tools to enhance the impact of their grants was a way in which participants seemed to integrate advocacy into their philanthropic work.

Is Public Policy Part of Philanthropy's Mission?

While there seemed to be general consensus that philanthropy has something to contribute by engaging in policy work, participants were roughly split down the middle on whether they think the philanthropic sector actually sees it as part of its mission. And only two respondents made any reference to public policy in their working definitions of philanthropy; Deidre referred to philanthropy's role as "to drive public policy and equalize the playing field" while Pam's definition cited philanthropy as "a vehicle for the private community to impact policy and conditions in this country as well as the world."

Walt responded to a question about whether philanthropy sees advocacy as part of its mission by responding that "If they don't, they soon will. Because we've got to change public policy, we've got to engage the public sector. It's just crucial." Suzanne said that there has been a recent change in thinking as more and more foundations integrate this kind of work into their mission: "If you asked me that question five years ago I would have said no. People are getting it now, I think." Katherine has also observed a slow but measurable shift in the level of comfort with engaging in public policy:

It's slow so I don't want to overstate this, but I do think that this notion of collectively working to do philanthropy in a way that solves problems, engaging publically, has gotten better. It's modest in the grand scheme of things, but I do think it's changing.

Pam also has observed a shift in this direction, noting that

A lot of philanthropy was about filling the gap, but I think now it's attempting to play a more influential role in changing practice, changing policy, making long term institutional changes in the way things are done. And I see that as a great move. I like the fact that more foundations are

trying to find ways to influence what's happening in this country not just for the moment but for the future.

Jill has also experienced a change among the members of her board in terms of their understanding of what advocacy and public policy engagement look like in practice: "If we were to have said two years ago whether we were going to be involved in advocacy, we would have said 'absolutely not.'" But in engaging with a Phoenix high school to increase educational attainment and reduce dropouts, her board learned that "the city bus schedule is not particularly conducive to getting kids to school on time. So we are going to try and attempt to sit down with the city and see what we can do about that." For Jill and her board, this experience was an eye-opener to the fact that advocacy is about speaking out and eliminating barriers, and that they

can have an impact on policy, government policy, without ever having to go down to the legislature. I think advocacy is evolving and that's how we see ourselves involved ... We have thought as we've grown that if we really want to make change, we're going to have to be more involved with advocacy.

Paul also felt strongly that the foundation community is coming to recognize the "bang for your buck" to be realized by investments in advocacy, stating that "I don't think there's an area where you can do more good with limited resources than in the area of advocacy. And I think many, many foundations feel the same." Jackie had just recently returned from two national grantmakers conferences, and observed that the volume in the dialogue about advocacy was rising:

The growing trend was really what you brought up here, and that is more of a public policy, advocacy positioning for a lot of the foundations. Many say they can't, that there are limitations based on their 501c3 status,

others are finding innovative ways of doing it. Some are figuring out they've been doing it all along and just not calling it that. But there really is an intentionality behind coalescing either at a local level or joining at the local level with something that says 'This is the philanthropic community, these are the dollars that we've been investing, and together we're going to lend our voice to why we think this is important' ... Because not only is there expertise behind this, there's also lots and lots of dollars to fund the conversation. So when you go to testify on the hill, it's like... 'Whoa, there's a billion philanthropic dollars behind this.'

But conversely, other participants felt that the philanthropic sector has not fully embraced the role of social advocate, taking a public stance on important social issues. Kerry felt that foundations still focus on programs and services rather than taking on a lead role in communicating the need for change: "Philanthropy really isn't using its voice in a way that helps educate how things can be better in communities." Jackie moderated the optimism expressed in her comment above when she estimated that among state level foundations,

less than half actually are willing to put themselves out in the line of fire so to speak, where they engage in grassroots type of funding activities, they take a stand on social movements that are directly related to a legislative or policy change, and then be willing to put their voice either in an editorial or on the radio, or linked to a national movement on something.

Anne observed that while foundations may see engagement with public policy as a best practice, "there's around a 50% attrition rate there, and I think it's a question of practice not keeping pace with intent." Pam also noted that foundations tend to be more comfortable modeling and demonstrating the types of programs and services they wish to see rather than engaging with the public policy efforts that would be necessary to take them to scale. "I think most try and influence it by demonstrating how something could work or jumpstarting it," she

said. “I don’t think very many actually think about how they can influence state or federal legislation that directs policy.” This comes down to how foundations conceptualize their role, which Pam sees in most cases is to catalyze new ideas and then move on to the next effort rather than “thinking long term about how to sustain their efforts through policies that become institutionalized in law and in regulation.”

Some foundations are still trying to determine whether and how advocacy fits within their mission. When asked how his foundation defines its comfort level with engaging with public policy, Tony said

We’re still figuring that out, we are. We just created a public policy committee – we didn’t have one before. So we’re just now having those conversations... But we’re still trying to figure out... we know that convening is okay, as long it’s not a convening around, like, ‘We’re anti-blah-blah-blah – a specific person or proposition.’

What Are The Barriers To Public Policy Engagement By Foundations?

Participants cited a number of barriers to public policy engagement, including distaste for politics, the need to satisfy diverse stakeholders including board members and donors, a preference for funding programs that yield quick results, and a desire to maintain foundations’ neutrality. But chief among the identified barriers were the complicated legal regulations that limit tax-exempt organizations’ political activity. Eleven of the eighteen participants noted the tax laws as among the barriers to public policy engagement. When asked if he thought philanthropy sees advocacy as part of its mission, David responded: “We do, but many of us are forbidden from doing so. There’s the rub.” Walt also

talked about the direction given to funders that they should keep an arm's length from public officials:

What I hear is 'Oh, you can't do that. Don't go talk to them.' As opposed to encouraging us to go talk to public leaders. I think we need to reach out and do more of that, we just need to. In the long term, if we can't change public policy, we aren't going to be successful.

But Janice laid bare the high stakes nature of this issue when she suggested that "folks are slow to embrace it because it's scary and they don't want to get in trouble." Punishment for engaging in prohibited activities can include revocation of tax-exempt status and imposition of certain excise taxes (Internal Revenue Service 2010).

Kerry noted that there is a lot of room for policy work within the legal confines, and suggested that the rules against what she called "'big P' policy" have "scared people away from doing awareness building." But at the same time, she also expressed understanding for the concerns of some funders that engagement with public policy could be a slippery slope leading them off mission. She described this concern as "if we dip our toes in, we will become misunderstood in terms of who we can be." But others weren't at all hesitant to engage in public awareness activities. Walt explained that while changing public policy can seem daunting, raising public awareness is a key first step, one which "drives public policy. It's always been my thinking that we have to get awareness up first before we have any hope of changing public policy."

Katherine noted that lack of understanding about what activities are and are not prohibited is just as much a barrier as the laws themselves, if not more so.

She challenged fellow funders to dig more deeply into their assumptions about what is allowable under the IRS provisions:

There are a lot of nuances to the law that would allow nonprofits to be involved with advocacy. I think we throw around the term advocacy very loosely without a very common definition of what it is. And hard core, going to a senator or a legislator or congressperson and saying “I want you to vote no on this issue,” okay, that’s advocacy. But about 90% of advocacy is not lobbying, and it’s lobbying that there are restrictions on. I think that the initial response is ‘whoa, we can’t do advocacy’ without having a deeper conversation about what advocacy is and what, within legal limitations, is acceptable. You can demonstrate progress on an issue, and that’s public education, that’s advocacy, for example.

Suzanne agreed with Katherine’s assessment and suggested that there is more room for policy engagement than most people, even those closely involved with nonprofit work, may realize:

A lot of our stakeholders and early board members... because we’re a nonprofit a lot of people are like ‘Ohhhh, you can’t lobby!’ which isn’t true! 501c3’s can lobby. It [just] can’t be your whole reason for existing.

Sheila, too, articulated the difference between lobbying and advocacy when she said “advocacy is much bigger than lobbying, advocacy is not off limits.”

Suzanne talked about the growing political sophistication among nonprofits and foundations: “People are getting it now, I think. Number one, as the rules become clearer around your tax status and what you can really do, people are getting smarter.” She also highlighted some of the strategies available to organizations that want to play a greater role in public policy, such as “spinning off c4’s¹⁰ if they really want to go whole hog.”

¹⁰ 501(c)4 refers to another category of tax-exempt organizations under IRS code which are allowed to lobby and participate in political campaigns, as long as
(Footnote continued on next page)

Participants also cited a general distaste for politics as a reason why more foundations don't embrace advocacy efforts. For the members of Jill's board, "there was a lot of anxiety around it because people traditionally view advocacy as going to down to the legislature – and people are so tired of politics, and don't want to... it takes the fun out of philanthropy for them!" Suzanne made a similar observation when she said "I think there's just a ... politics are yucky, people don't want to mix up in it." Pam proposed that an undercurrent of disappointment may run beneath philanthropic endeavors, and that this disillusionment with government may influence foundations' desire to engage politically:

Sometimes philanthropies focus on those things they don't think government can ever get done right [laughs]. So then they don't think about influencing policy because the best way to get it done is for them to just do it.

Grace suggested that funders don't typically want to invest their energy or resources into political issues because they are so mutable:

I think they're actually somewhat turned off by delving into any public policy issues... I think it gets too complicated, and that they don't think it's a good use of time to really delve in that area, that things shift too much.

While distaste for politics may be one reason that boards choose not to fund or engage in advocacy work, it was not the only reason noted by the participants. Several participants mentioned the balancing act inherent in juggling multiple stakeholder opinions. One suggested that diverse political and ideological views of board members may pose a barrier to advocacy work:

campaign work is not their primary purpose. Contributions to 501(c)4 organizations are not tax deductible.

I would still say it's the nature of nonprofits that have very diverse boards, and boards full of people that might have vested interests that might run counter to the mission of the foundation – financially... are you going to go out and raise taxes in Arizona? That makes people break out in hives! So I think, especially groups with very high powered boards, can run into problems.

But she challenged boards and foundation staff to push beyond their personal comfort levels, calling the decision to advocate for the issues that matter to them

plain and simple a courage issue among CEOs and executive directors, and board members themselves. If you think these issues are important enough to serve on a board and do your bit philanthropically, then they probably ought to be important enough to talk about publicly. That's my perspective.

Donors are another diverse group whose opinions must be taken into account when considering public policy issues, and the more donors an organization relies on, the narrower the tightrope it must walk. Jill brought this issue of negotiating policy platforms to the fore when she asked "What does that look like for funders like us, when we have individual donors with very diverse political views?" Tony also spoke about the challenges his foundation faces in meeting the expectations of a large number of donors while taking steps to engage more actively in public policy work: "Next year we'll be assessing the comfort level of our donors. We want to gauge the stomach of our donors."

In contrast, Jackie – who works for a foundation with a large endowment that frees it from the need to carry out ongoing fundraising – spoke about her relative freedom:

We have the ability to probably put ourselves out there because we don't have to do fundraising, which allows us more comfort in doing something like that. We do have a board, but as long as the board gives us the OK to move, we have more flexibility in that sense.

Suzanne agreed that an endowment is liberating in the sense that “you can be much more powerful not only in your ability to make grants and do what you need to do, but also to speak to power.” But in spite of this recognition of the value of endowments, Suzanne felt strongly that the need to fundraise is not an excuse to opt out of the public policy debate, calling it “a copout ... In this current environment people are literally dying because of the decisions our policymakers make... people just have to have more courage.”

Another factor keeping some foundations from entering the advocacy arena is a preference for funding programs with tangible outcomes that are easily understood by funders. Advocacy work on the other hand, as Janice described it, “is not necessarily the ‘warm fuzzy.’ So I think for folks who want to deliver a check and see the smiles on the faces of the kids, nothing’s going to replace that.” Grace also described her foundation as having made a commitment to programs and services “in the communities that helped build the endowment, ensuring that it goes back and helps those communities.” When asked whether the foundation typically plays a role in public policy issues, she responded that “overall, no. [And] when we do get involved it’s not necessarily for the public policy cause, it’s more because of the issue that it’s promoting.” In other words, for Grace, public policy is seen as a means to an end, furthering their programmatic goals, as opposed to a key part of the foundation’s mission.

As was noted in Chapter One, the field of philanthropy is moving towards a highly outcome-oriented model of practice in which results must be easily quantified and measured – 200 food boxes, 50 immunizations, a 25% increase in

test scores, or 15 new shelter beds. This results-based orientation is somewhat at odds with investments in advocacy strategies, whose effectiveness can be harder to evaluate and often take much longer to demonstrate impact. For some funders, this can be a barrier to investing in this area. Sheila explained that this evaluation challenge caused her some initial reluctance “because you can’t evaluate it as easily as you could a program with outcomes and objectives.” But she overcame that reluctance and her foundation has provided support to a statewide children’s advocacy group because “it’s really key. Seeing how so many social problems are really systemic.” Janice concurs that “it’s been hard traditionally to measure the impact of advocacy. It’s longer term, so for some folks that’s one of the hesitations.” Joyce suggests that we need to rethink our expectations and reframe our metrics for success when evaluating investments in advocacy:

Another drawback with that kind of work is that the progress is really slow. You have to look at your evaluation differently because you can’t see, in the year of your grant... the typical numbers don’t matter, like ‘how many people did we serve?’ You have to look at the overall picture and if you’ve moved the needle even *this* much in three years, that’s fabulous. So you have to be more patient.

Tina echoed this sentiment when talking about the work Casey Family Programs has done to improve outcomes for youth aging out of foster care. “Have they helped generations of children in foster care?” she asked. “Probably. But results are very slow, very unrewarding, and you can never look at a correlation between your investment and a result.” This kind of investment clearly requires a long term commitment on the part of funders, and a willingness to trust in the process if results are not immediately evident.

Finally, some participants spoke about the desire to protect their foundation's neutrality, which they saw as an asset and something that could be jeopardized if they became too involved with political issues. Tony described the access philanthropists get to policymakers and credited philanthropy's nonpartisan nature: "We get invited onto councils and commissions and advising governors. Of both parties. To be that steady voice." He also went on to say that when they do speak on policy issues, they are careful to do so "in a respectful way" so as to maintain that credibility and neutrality. Lauren also alluded to the value of keeping partisan politics out of philanthropy, stating that "it doesn't matter whether you're a Republican or a Democrat or whatever, this is important for our state. We can rise above it a little bit."

What Progress Is Being Made To Overcome These Barriers?

Many of the organizations that provide technical assistance to the philanthropic sector are helping foundations understand the limitations on political work, as well as the possibilities. Pam cited efforts by several of the national philanthropic resources "to address what we can and can't do around policy ... and share what is totally legal." Joyce talked about a national philanthropic conference she had recently attended where a major theme had been how foundations can support social change, including using advocacy as a tool. She said that she was encouraged "that so many people were there and so willing to listen. I don't know what's happened since in terms of people moving in that direction, but they certainly heard the message." Similar conversations are happening in Arizona – the November 2010 program of the Arizona

Grantmakers' Forum centered on ways foundations can support community organizations and public policy. According to one participant who attended the program, "The pitch that the speakers were making was 'it's safe to come into the water, and in many cases the return on investment can be 150 to 1.'" One Arizona-based foundation whose mission was directly tied to social justice recently spent down its funds, but before closing up shop held a statewide advocacy training for foundations. Its organizer explained that the purpose was

spreading the word, 'this is how you do it, you can do it.' We talked a lot about advocacy because a lot of people really don't know what it is. And it really is different than lobbying. We did try to show them how to do advocacy work, we presented workshops on how to talk to your legislators, advocacy in your pajamas, you know, these types of things. We had sessions like that – 'everyone can do it,' try to make it really easy to adapt to. I think that convinced a lot of people that it can be done.

And in fact, some boards are becoming more comfortable with dipping their collective toe into the realm of public policy and advocacy. Joyce's board adopted an explicitly social justice based agenda, partially due to the dearth of other funders working in this arena:

We gave grants that would encourage community organizing, advocacy work... we really tried to pioneer that. Because there were not very many foundations that were giving money in that area. And when we had to let our grantees know that we were going out of business it was really hard because they don't have a lot of people they can ask do to that kind of work.

Perhaps Joyce's former grantees will find more support for their social justice work as more and more boards begin to consider whether and how advocacy fits into their mission. Tony described the learning process his board has gone through as they've decided to move further into public policy in this way:

It's been interesting to watch it evolve. In the first conversation where it came up, it was 'go deeper into public policy and focus on two or three areas.' They didn't say which ones yet. They may not agree when it comes time to pick the issues... So that should be interesting because then there will probably be some resistance. They have continued to say, go deeper, and deeper meant a little more aggressive, but aggressive means something different to different members of the board. So we'll see. But they are supportive of going in that direction. And it would be easier for our board to shy away from this ... don't even go this far, too close to the line. But they're saying 'go up to it,' so we need to figure out where that line is.

Deidre referenced a growing trend of foundations, particularly community foundations, establishing governmental relations committees "so that they can look at the outcomes of different policies as they impact communities." She suggested that governmental relations committees can ask these kinds of questions:

Are we being systemic, are we being collaborative, are we being game changers and trendsetters, or are we just doing the traditional gift without looking at our return on investment? So I advocate for governmental relations groups, but they also have to take their recommendations to the overall board and really pursue change within those boards so that they can look at public policies and have their chairpersons stand up and advocate for policy change.

For Deidre, government relations committees are critical for two reasons – both as a mechanism for inserting public policy into the work of the organization, and as a catalyst to encourage board members to take advantage of their position to speak out for desired changes.

Joyce spoke from experience when she said that boards really can be open to talking about public policy work "if the story is told correctly, if you do the right education." She told this anecdote about the parable used in this paper which helped her board make the connection between advocacy and outcomes:

The consultant that helped us told this little story to help us understand social justice funding, and maybe you've already heard it but it's about the babies floating down the river? That was a really great way for us to get our hands around it and figure out what we wanted to do. You can very much convince people. They may be set against it at first because they don't know anything about it, but I think they're well open to it.

Participants identified several organizational and structural factors that can make it easier or more difficult to participate in advocacy work. Some suggested that moving from funding programs to funding policy represents a maturing of a foundation's mission. As Walt put it,

I think the smarter philanthropists may start by solving what they see right now, and then as they get into it and understand it, they want to say 'Okay, how do we solve this and stop it so it doesn't happen again?'

Katherine also saw a link between a foundation's willingness to look beyond funding of programs and its level of sophistication and experience, noting that "the more the field of philanthropy grows, and the more that foundations mature developmentally and get their bearings, I do think you start to see a more comprehensive approach to philanthropy."

Others suggested that size and geographic scope of funding are factors that influence a foundation's interest and ability in doing advocacy work, with larger foundations operating on the national level more likely to do so. Kerry explained that

There's always been the big guys who do this – Pew, Robert Wood Johnson, Casey – those guys have always been doing that, funding the policy groups on a national basis. But I think local groups are getting more educated on what they can do, and more flexible.

Pam further described the distinction this way:

I'm wondering if there's a distinction between private, family foundations that do philanthropic work and larger foundations like Kellogg, Gates... I

think generally speaking policy probably doesn't appear in the mission of philanthropists. They tend to think more about how they're going to change the lives of people by the funds they provide and the services that come through that funding ... A lot of private family foundations probably don't think much about policy, they think about a good use of their funds to do good things in the community. I think larger foundations that have been around for a longer time understand the relevance of policy and have learned how to affect policy without crossing the line in terms of what they can and can't do.

Sheila, who operates her family's foundation, seemed to affirm Pam's observation. While her foundation has recently made some grants to an advocacy organization, she couldn't think of any peer foundations that had done the same: "I don't know of other foundations our size that are getting involved in that and putting their money in that."

Lauren also observed that structural differences were linked to desire and ability to fund advocacy work, but for her the difference had less to do with size than with the amount of independence afforded to staff and leadership. "It depends on the structure," she explained:

For the family foundations, the foundations with small staff that have the founding partners there, it would be easier. We have a lot of autonomy. But when you go to a Pulliam or a Piper, they really are at the bequest of the donors. Those foundations are set up with such specific missions.

Examples of Public Policy Engagement by Arizona Foundations

In spite of these structural features which may make state-level examples of advocacy funding hard to come by, participants were able to provide many examples of public policy engagement by funders in Arizona. Early childhood education has drawn significant philanthropic support in Arizona over the past decade, and some funders cite their early investments as part of the reason that

early childhood education now has its own dedicated state agency, First Things First. Deidre spoke about the way that philanthropy can lead the charge in identifying an issue of importance and laying the groundwork for public investments:

Philanthropy has really driven public policy in terms of changing a system for early education. And I see that in affordable housing and economic development as well. When private philanthropies come to the table and say ‘we want to see different results and different outcomes,’ they will give to be able to see those outcomes, and they can take that data to politicians and the public sector and say ‘when you invest in these areas, look at the outcomes’ and that can really influence public policy.

This progress that was catalyzed by initial philanthropic investments in the early childhood education infrastructure was threatened in late 2010 when First Things First was targeted for elimination by the legislature. The ultimately successful fight to defeat the ballot initiative Proposition 302 mobilized community stakeholders – including foundations– at unprecedented levels, and forced many to face the issue of advocacy head on for the first time. Tony described the challenge of trying to develop an advocacy strategy in response to the ballot challenge, saying that it was hard to be strategic when “it was coming at us so quickly.” Now that that particular battle is over, his foundation is setting aside time to think carefully about how they will respond next time so that they can be

a little more thoughtful. Not to say that we wouldn’t do it again, just that we want to make an objective process and objective criteria when it’s less emotional, rather than in the teeth of like ‘Aaaah, this is happening, what are we going to do?’

Kerry also cited the threat against First Things First as a time when foundations rallied around an important cause. While they didn’t speak out in favor or against

the initiative specifically, Kerry's foundation did coordinate with other funders around a public awareness strategy highlighting the importance of early education. Kerry cited this as a learning experience, "showing private funders how it's so important they use their voice to say why we invest in early childhood. There was a lot of that going on in the past few months."

Early childhood education is not the only cause that has mobilized foundations in Arizona to serve as advocates as well as funders. Suzanne cited her foundation's work to increase public funding for domestic violence shelters as an example of a successful advocacy campaign that built upon the foundation's other strategies:

We were able to make the argument that we're doing all this amazing research, and doing our best to throw as many starfish as we can back in the ocean [laughs], but it really took hold internally when we were able to, in coalition with many other community organizations, get almost full funding for domestic violence shelters in Arizona because people could see that government absolutely has a role... it's a public safety, victims' rights issue.

In addition to Suzanne's example above, other participants highlighted the importance of collaboration in philanthropic advocacy work. Lauren cited "forming groups and coalitions" as a way to maximize impact and influence policy without engaging directly with political activity, explaining that

That's the way we're doing it, subtly. Trying to encourage policy by basically saying to the legislature 'Here's a group of foundations that are doing this work together.' While we're not funding a campaign, we're drawing attention to an issue.

Tony also talked about the power that philanthropy has as a result of its collective funding impact:

Let's say whatever we pick, say education or housing – if we gave \$60 million in each of those categories, we have a little more influence for that reason than each of those individual donors would have with their \$100,000 or whatever at a time. Collectively, we get a place at the table because of that.

In this way, the philanthropic sector is able to multiply its financial impact by also contributing to community dialogue. But Suzanne highlighted that collaboration can be difficult among groups that sometimes struggle with issues of turf and may fundraise from the same donors. Such collaboration requires

really getting out of the competitive mindset and unifying. Sometimes for a specific purpose, and sometimes just because it's the right thing to do. I really like that and I think it's very different from how things were even seven years ago ... It's just really gratifying to have all the people who go to the same donors, frankly, working together. It's really refreshing.

Other participants talked about ways in which foundations support advocacy work among their grantees, rather than by acting as advocates themselves. For Tina, this represents the proper division of roles: "I personally see it as the role of the nonprofits ... I think most of the advocacy I've seen or done has been through an issues-based nonprofit." This supports the research cited in Chapter One which suggests that most philanthropic advocacy work happens through intermediary nonprofits. Participants were careful to clarify that their support for nonprofits that engage in advocacy does not go toward supporting political advocacy directly, in keeping with the 'safe harbor' tax provisions described in Chapter One. That's how Lauren's foundation contributed to the efforts to protect First Things First without directly supporting any lobbying efforts:

We aren't legally allowed to do anything – stand up for anything political. What we did do on 302 was we recognized people who were really

working hard on it... We called them and said, 'We think your work is amazing so we'd love to donate to your cause.' ... It was an opportunity to say 'Great job, and we want to help out with your other operations.'

Another participant also noted the ways in which foundations can support nonprofits doing advocacy work that they believe in, explaining that

We can give money to an organization that may engage in some advocacy. We fund Children's Action Alliance who we know lobby the legislature. We fund a lot of environmental groups and that's what they do. But if an organization comes in and asks for money specifically for advocacy, we say no.

Joyce also spoke about this need to be clear and specific with grantees about how funds can and cannot be used: "As long as you say that the money you're giving can't be used for lobbying, you can do it, legally, and support the infrastructure and capacity building of the group." Here we see examples of how foundations have been able to support the work of those in the community working as advocates while staying well within the legal boundaries.

Some participants argued that foundations have been acting as advocates all along, whether they know it or not. Jill said that

I have tried to explain to our board that they've always been involved in advocacy just by funding the nonprofits they're funding. By taking up their cause. Being an advocate doesn't mean you have to be political.

She also pointed out that any time a foundation is engaging in an area that is heavily government funded, like education or health care, they are making a statement about what government can and should be doing differently – advocating through words, actions, or dollars for changes to the status quo.

In contrast, Jackie suggested that the reverse is also true, observing that:

Philanthropists sometimes say they're doing social change but they stay totally out of public policy and advocacy, and I see those things as going

hand in hand. If you're doing grantmaking for example in the education area and you're focused on teacher professional development or course rigor in a particular area, but you're not willing to take a stand in a particular position as a foundation, then you're really not making that social change, you're just doing grantmaking. So I think it requires funding backed up with a voice.

For Jackie, staying out of the public policy domain is counterproductive to achieving social change. Anne agreed, suggesting that funding issues without engaging at the policy level “errs on the side of superficiality, and makes the work less meaningful.”

CHAPTER 7

PHILANTHROPIC/GOVERNMENT RELATIONS

As described in Chapter One, philanthropy operates in relation to other major sectors which also serve various community needs, including private industry, the nonprofit sector, the faith community, and government. Grace described philanthropy as “another segment in the pie that fulfills an important role in meeting community need. There are lots of pieces to that pie and we are just one very specifically defined piece.” In this chapter, I will focus on how study participants conceptualize the relationship between philanthropy and government in the United States, and how this relationship impacts philanthropy’s ability to effect social change. As shared funders of the nonprofit sector, philanthropy and government have a shared responsibility, but the relationship is not without conflict.

Because views about philanthropy evolve in relationship to views about the roles and responsibilities of government, philanthropy is contextualized by its political and economic environment. My interview with Paul provided particular comparative insight into the nature of American philanthropy because his foundation had recently provided technical assistance to several countries interested in developing their philanthropic sectors. Paul cited formerly communist Eastern Europe as an example of a society where philanthropy and volunteerism are unfamiliar concepts:

In the pure communist society there is no such thing as philanthropy, no such thing as nonprofits, or charity or donation or giving or any of that, because the fundamental aspect of a communist society is that the

government is supposed to provide for all the needs of the people. So if that's the case there's no need for nonprofits because it's all being done by the government. But when the Soviet Union collapsed and all these countries became independent, many of them tried to embrace capitalism, and one of the problems was and it still is that the people had no culture of giving, of charity, of nonprofits ... People didn't understand it. Either the government does it or it doesn't get done, that was the rule!

He went on to illustrate this point with a story about a small town in Romania he had visited that was badly in need of a playground. When the city turned down their playground request, the townspeople thought it was a closed case until a group of Western-taught nonprofit leaders came in and said, in Paul's retelling,

'Hey guys, you can do it yourself. You can get a group together, raise the money, and build your own playground. You don't have to wait for them to do it. This is an alternative.' And it has really been a change in basic culture and philosophy.

This underdeveloped understanding of the role of a third sector stands in contrast to American society, with its long tradition of volunteerism. Paul cited as one of the key aspects of American society "that people take it upon themselves to go get things done, beyond the government." Paul's comments suggest that we should frame our thinking about the relationship between American philanthropy and government with a culturally-specific lens.

Role of Government vs. Role of Philanthropy

Participants identified a number of key factors that differentiate philanthropy and government's roles and responsibilities. One way in which philanthropy and government approach their work differently has to do with

whom they see as their stakeholders— who they are trying to serve. The way Pam sees it,

government has to think about how this is going to affect all people, and unintended consequences, while philanthropy doesn't have to think about that. They just think about the immediate project they're working on, and they don't have to worry about whether or not this is good practice or good policy for the general public.

Tina described this as “the privilege of picking and choosing.” Katherine agreed, describing philanthropy as having “the luxury of picking one community to serve, or focusing on one population or one area.” She contrasted this with what she called government’s “responsibility to all. That’s what a public investment is.” This difference could be described as a difference in scale, with government having a greater responsibility for scaling up than philanthropy.

Katherine suggested that philanthropy has traditionally not engaged with scale:

In general we don't have a big history of scale in this state. We have a big history of demonstration projects and pilot projects and those things, and then when we're making decisions, if we go deep on things and take something to scale, that means other things go unfunded and that means hard decisions.

In part, this difference in scale is linked to the differences in the amounts of public and philanthropic assets. As noted in Chapter One, public resources far exceed philanthropic resources. The way Kerry described it, “For every dollar private has, government has eighty one ... Private has no play to government.” Jackie referred to philanthropic assets as “a drop in the bucket,” and Janice called them “puny” when compared to government’s resources.

Unclear boundaries

Perhaps it is this difference in resources that made participants so firm in their belief that the philanthropic sector cannot and should not step in where government has traditionally provided financial support. But many said that in practice the boundary between philanthropy and government is unclear, and complained that government expectations of philanthropy's role are inconsistent with how they see themselves. Paul described the conflict this way:

Some people feel... the whole nonprofit world is simply to do things that the government isn't doing. That's what it's all about. So if the government's not doing this or that, you have the nonprofit world doing it, or the nonprofit world supported by the philanthropic world. Some people think we shouldn't do this, because the more we have nonprofits doing it the less government's going to do, because they're going to rely more on nonprofits. Others say, no, that's not the way it is. So you have that conflict.

Anne reported a similar concern among funders who worry about philanthropy inadvertently reducing government's responsibilities, and asked:

Does philanthropy actually do a disservice to communities when it endeavors to take on those roles that have previously been proscribed to our governments? And are we actually burden-shifting in a way that, going forward, reduces both the onus and the expectations of systems that were really created to look out for some of those basic interests?"

Here Paul and Anne are alluding to the concepts of sectoral blurring and crowd-out discussed in Chapter One. Walt also referred to a mingling of responsibilities, noting that the current refrain from many elected officials who suggest that the needy can get assistance from churches or charities instead of government programs makes him uncomfortable. He called for "a better definition of what our government's role is. There's been too much blurring of that." Lauren also

noted that she thinks government officials see philanthropic dollars as “just taking care of the problem,” a dangerous assumption given philanthropy’s comparatively limited resources.

Some philanthropists do intentionally aim to fund in the gap area between what’s provided by the other sectors. Tina said “I always tend to think that philanthropy... directs itself to whatever falls out of government, the private sector, etc.” Jill also described her foundation’s work that way, noting that they try to focus their impact on areas not covered by either the public or private sector. But she noted that the current economic crisis is causing that gap area to grow as government pulls back significant resources. As she explained:

Philanthropy can’t cover it either ... I’ve heard from both sectors that ‘Well, philanthropy’s going to have to pick it up.’ And that’s very unrealistic. So it’s kind of a time that’s a little muddled as to what our expectations are as to what the sectors are supposed to do. There’s much greater need. We have a little bit to figure out here.

Expectations That Philanthropy Will ‘Fill the Gap’

As a result of the economic recession, governments are reducing their community investments and calling on philanthropy to step in. In Janice’s words, “the world’s topsy-turvy now in terms of what governments can do, particularly with the economy right now, and many of the governments are looking to the philanthropic sector to fill gaping holes.” Study participants reacted strongly to this expectation, with fourteen of the eighteen talking explicitly about the conflict and agreeing with Tina who stated that “philanthropy can’t take the place of the other sectors.”

For some participants, this comes down to simple arithmetic. In response to suggestions by elected officials that churches will step in to pick up the slack, Suzanne did a little math and found that “it doesn’t add up.” According to her calculations,

If you take the number of parishes in Arizona, roughly, divided by the size of the health and human services problem... every church community in Arizona, from the tiny rural ones to St. Andrew the Apostle, each one of those would have to raise a half a million dollars a year, every year, from now to eternity, adjusted to inflation. Forget it! It’s not going to happen. When problems are at that scale, that’s why we have government.

Kerry said that she hears the refrain from state leaders all the time, “‘Oh, the private funders will replace government spending’ and I’m looking at them like ‘What? Guys, we’re a piggy bank to a central bank account.’” Grace noted that even the largest foundations in the world don’t have enough resources to replace public investments, and that each sector needs to play a role. “We’re a really small fish,” she said of the sector:

Definitely even those huge foundations have a limit, and I think we need to make government... we all need to make each other understand that there’s still a role for each of us to play in the identification of our societal ills and how to go about addressing them in a workable way.

For David, given philanthropy’s limited resources, philanthropy needs to “pick our spots, be very strategic in how we spend our money” because there’s just no way it could replace what government has taken away.

For others, pushback against assumptions that philanthropy will fill the gap reflects a basic philosophical understanding of the differences between the sectors. As Jackie explained it:

It goes to what you think organizations are there for. My view of government is that it’s there to provide the basic health and safety

infrastructure, whether that's immunizations or ensuring clean restaurants or safe roads, what have you. Then I look at other organizations trying to layer on to that basic safety and health infrastructure, and say ok – that's the minimum, but we can augment what's being done by government. If you take away the foundational basic services the government is saying they can't fund, you've made no gains. You're just keeping it all at the level it once was without showing any gains.

Suzanne shares this belief that core health and safety issues are and should remain the purview of the government – as she stated it, “you cannot outsource justice to the private sector. That's government's job.” She described the role of government as

keeping people from starving, or dying from lack of health care... I think that's what people in the philanthropic world are going to have to start struggling with as greater demands are placed on them. I think there's going to be more and more pressure to do more and more basic things, and I think we have to push back. I really do.

Participants expressed significant frustration about government's expectations that philanthropy has either the means or the desire to fund those things which had previously been funded by the government. Jill explained that philanthropy does not want to be seen as an economic back-filler, and that the presumption that it would places undue pressure on the sector, “like if we don't step in, we're going to lose all this progress.” Jackie said that she thinks the government and nonprofit organizations that may have previously depended on the government for funding “look at us and see us almost like a bank.” This assumption, she explained, completely disregards foundations' commitment to their mission and theories of change. Her foundation remains committed to their mission and plans “to augment rather than fill the gap, so to speak.”

But Jackie, having come to the philanthropic sector after a stint in state government, admitted that she herself was once guilty of this same expectation about philanthropy's ability to fund projects on a whim:

I thought it was more along the lines of ... there's a need in the community and if there were dollars then those could be redirected. Acknowledging that there was a mission but feeling like there was more ... like it was more incumbent upon them to react rather than be proactive in their thinking.

Here Jackie is making an important observation about the sometimes erroneous expectations of philanthropy by public leaders, which likely contributes to the current conflict. Now that she is working in a large foundation, Jackie sometimes finds herself on the receiving end of phone calls from former colleagues in the nonprofit and public sector who have the same expectations. She explained,

It's difficult from a personal note¹¹, because I've been in the community such a long time. People would call and say "What are you going to do about this, that or the other." And I would say 'Well, we have a really narrow focus in this area' and I would have to have a complete theory of change revision and go before the board and explain why I am changing midstream, and what it's doing is really hurting the field I would be funding in, because I wouldn't be able to show any direct impact or change if we spread the dollars too thin.

Several participants talked about the misalignment of expectations between the sectors, and suggested that even during a time that many agreed represented "the apex of foundation/government relations" as Janice put it, this dynamic existed. During her six years as Governor, Janet Napolitano hosted a twice-yearly foundation roundtable to facilitate dialogue between the foundation

¹¹ Here Jackie is describing some of what Horn and Gardner (2006) refer to as the "loneliness" and "isolation" felt by grantmakers who feel alienated from the public as a result of their jobs (p.77).

community and state government. While participants saw this as an attempt to increase cross-sector collaboration, they also expressed feeling a certain level of expectation from the state that foundations would fall in line behind government's priorities. While Kerry gives the Napolitano administration credit for the roundtables, she also noted this perceived power imbalance:

I always joke about Janet's first foundation roundtable – and she was the first Governor to even initiate a conversation, so god bless her – but even with her at that first roundtable it was like 'Here's what we're doing, do you guys want to fund it?'

Janice affirmed that early on there was a sense among funders that state government saw philanthropy as a resource to be tapped in support of its priority issues – “that they saw funders as their bank account” – which resulted in what she called “pushback.” These comments illustrate that even when attempts are being made to work together, the relationship between government and philanthropy can be contentious.

Suzanne suggested that the philanthropic community should push back against these intimations by the public sector, encouraging her colleagues to

challenge some of these ridiculous expectations that are laid at our doorsteps as foundations and philanthropists. Like, 'Oh, you can do this and this.' I don't think so! This is discretionary money ... yes, we're trying to solve some social problems but it's really at the discretion of our donors. These are not taxpayer dollars.

She went on to say that the rhetoric is “not so much ‘We should engage the nonprofit sector,’ it's more like ‘Oh, the churches will always be there to step in.’” Suzanne seems to be making a distinction between a healthy, collaborative partnership between the two sectors to solve a critical social need and the type of burden-shifting that she sees happening now.

Katherine, though, took a less hard-and-fast line and suggested that there is some room for flexibility and changing roles as conditions demand. She affirmed her organization's commitment to its mission, but also its willingness to accommodate changing community needs:

We're not going to turn a blind eye to what's going on [but] we also are not going to pick up what quote-unquote can't be funded by the state. So it's been a very complicated, delicate balancing act and it will continue to be, quite frankly until we get out of this economic recession.

Others pointed out the danger inherent in this flexibility. Jackie and Grace both highlighted the unintended consequences that could result if foundations start funding in areas that had previously been under the government's purview. As Jackie sees it, "it becomes very slippery as far as how you can then define why you wouldn't do it for someone else and someone else... you're off mission. It's not even mission creep; it's just complete abandonment of mission." Grace also referred to the "fine line" that foundations must walk if they are going to provide support for traditionally government-funded areas for fear that government will assume that foundations have it covered both now and in the future.

Areas of Complement

In spite of these significant differences and contested functions, participants also identified an important area of complementarity between philanthropy and government in their shared responsibility for funding community agencies. As described in Chapter One, nonprofits rely on a mix of public and private dollars to support their work. As a result, David noted, "There really aren't any government programs. There are government dollars that go to

private nonprofits to do the programs. It's just a matter of the source of funding."

Kerry talked about coming to this realization after making the move from government to philanthropy. While in government, she had thought that the nonprofits she was funding were "a different pool of nonprofits" than those that received foundation dollars. She laughs at herself for this now, when she recollects that "It didn't take me long to realize, that no, they're all the same guys fishing for resources, and it just comes from a variety of places." David pointed out the extent to which public and private philanthropic resources intermingle within the nonprofit sector when he noted that

I don't think there are many if any nonprofits that don't get some government money. [My benefactors] were kind of libertarian and stayed away from government-funded programs, but we quickly realized that nearly all nonprofits get government money. There aren't many out there that are totally self-sustaining without any government support. So in that way everything's a public-private partnership.

Another participant noted the ways in which the public grantmaking process is modeled after philanthropic best practices:

It's surprisingly a lot like philanthropy, quite frankly. So while there are nuances that are different because it's a state agency, the principles are similar in terms of thinking about standards of practice and how you connect grants together and use the grants process to set up a system... But in a lot of ways it is very similar actually, probably even more so than I thought it would be. The [government] grantmaking process is very similar to private philanthropy.

Just as government funders are taking advantage of best practices gleaned from philanthropy, philanthropists can also benefit from governmental funders' notoriously rigorous review process. Joyce reported that she sometimes looks to see if an organization has received public funds as part of her review process because "government vetting is pretty stringent. I feel like most of the time if the

government is giving them money they've probably done their homework. They certainly make them jump through more hoops."

It was in recognition of these opportunities for information sharing that during the early days of Arizona's statewide foundation membership group, Joyce explained, "There were a lot of conversations about whether to have government officials be at the table, and be members. It was a great idea ... Only good things can happen with that." In fact, membership in the organizations does now include representatives from both state and municipal government agencies in recognition of their similar grantmaking functions. This type of neutral forum for discussion and collaboration is likely to help the two sectors overcome the types of misunderstandings identified in this research. It also helps the sectors better understand what unique contributions each can make.

Philanthropy's unique contributions

Participants identified several key functions that are unique to the philanthropic sector. The most commonly cited feature setting philanthropy apart from government is its ability to innovate and experiment. Kerry cited philanthropy's increased flexibility and ability to question the status quo as one reason why foundations have been successful social change agents:

We can be so nimble, you know 'Here's a great idea, change it up.' And I think it's why private funders for the most part have been the ones pushing innovation, pushing ideas that just were ahead of their time. So philanthropy's been credited with the changes in social justice issues... civil rights, women's rights... because they were the guys that started questioning and it's hard for government to be in that role.

Paul echoed this sentiment in his assessment of philanthropy as “proactive” compared to government which is typically “reactive”:

The social sector is more willing to look at new answers to existing problems. This goes across the board, look at discrimination against blacks or women or homosexuals, it’s always been the social sector that’s leading the movement, with government to follow. The concept of charter schools was started by the social sector, and the government supported it eventually. I think that’s one of the main benefits of the social sector in society. To anticipate needs and come up with new answers. Of course some of them don’t work, but some of them do, and then government will follow up.

This expectation of philanthropic experimentation followed by government scale-up, which reflects themes introduced in Chapter One, was expressed by other participants as a key feature of the ideal relationship between philanthropy and government. David laid out the chronology when he said that philanthropy ought to invest in “pilot programs that are innovative and then hopefully work with government to bring them to scale.” Janice also cited this model, noting that

Philanthropy plays that unique niche of being innovative that the other sectors can’t. Historically they’ve always been the ones to test market certain strategies and then hopefully once they’re successful, pass them onto the government who can invest longer term and larger scale.

It’s that investment of what Janice called “seed capital” that is necessary to get a great idea off the ground – only once it’s proven successful might we expect public dollars to take over.

But Suzanne pointed out that things don’t always happen as smoothly as Paul, David, Janice and Kerry described. She cited philanthropy’s significant investments in the social infrastructure and her disappointment with the fact that

the public sector hasn't always held up their end of the agreement in providing sufficient ongoing operating support for those investments:

I talk to my board about the amount they've raised and granted over the years since we started, and that money literally helped build the social infrastructure...whether it's low income single moms getting an education, or more shelter beds for battered women, or damaged children becoming whole again, those were public/private partnerships. Like, we'll pay for the beds if you'll cover the service dollars so we can fill them. So when government draws back its investment, your infrastructure crumbles. So they're not just screwing with taxpayer dollars, they're messing with private investment in our system and that's irresponsible. Pulling back and asking philanthropy to take over is blackmail.

Tina provided an alternative view, suggesting that in some cases it makes sense for philanthropy to take on a successful effort seeded by the government if public resources run dry:

The thing that frustrates me is that a very good program can get started, and because there's no more government funding, it ends. A private sector or nonprofit group would take it over if it had backing, rather than starting from scratch. Government has done tier-one investing, and then the private people can step in and say, 'That's a great model, sorry that the city can't support this orphanage anymore, but we can.'

Unlike other participants, she was unconvinced that government would ever take on a project that was initiated with private funding, noting that she saw very little chance that government would sustain a project that was incubated by the philanthropic sector. "There's a sense," she explained, "that if this is something private money started, that private money wants, let private money pay for it."

Government's unique contributions

In addition to these functions best served by philanthropy, participants also identified several factors that are unique to government. The first is the

flipside of the first function of philanthropy noted above – if philanthropy’s role is to innovate, government’s role is to take to scale. Pam cited ongoing government dollars as necessary to turning a good idea into a successful public program.

While private dollars may get a project off the ground, philanthropy, in her words “can’t do it forever. You have to figure out a way to make it sustainable.”

Katherine also affirmed that “part of government’s role is to be consistent and ongoing,” sustaining those programs that have proven effective.

Government, because of its size and influence, can also do more than just sustain. Grace noted that in the case of entrenched, systemic social problems, there simply isn’t enough private funding available to truly make a difference. For her, major structural change is not possible without commitment from the public sector:

Even when a huge foundation invests over ten or twenty years... sometimes they don’t find the outcomes they were seeking. It’s really depressing... you’ve really got to wonder, even with these large ones – sorry, I sound sort of pessimistic – but these long term investments, do they really... do we kid ourselves? Are those even enough resources? Those billion dollar foundations – is *that* even enough if the political will isn’t there?

Potential for Public/Private Partnership

As discussed in Chapter One, there is some debate over whether true public/private partnerships are possible given the funding silos and conflicting expectations that exist. But early childhood education in Arizona provides an interesting case study of how public and private funds can successfully co-mingle. When First Things First came on the scene in 2006 with its more than \$100

million annually in tax dollars for early childhood education and health, there were some fears that the private sector would reduce its investment in this area. Katherine described the fear concern in these terms: “The worst possible thing to happen would be if the philanthropic community was to say ‘Okay, check early childhood off the list because FTF has it covered.’” While that hasn’t happened, the early childhood community continues to work through what each organization and each sector’s role should be. Katherine suggested that one area ripe for philanthropic investment is building capacity in the nonprofit sector:

The more [government] hones in on building scale on a defined number of strategies, the more there will be room for others to come in and focus on building best practices, on building capacity in the nonprofit sector ... The private sector has a lot to offer that goes beyond what we can do.

Participants were hopeful about the potential for public/private partnership. When working well together, the public and private sectors can form what Kerry called “a brilliant partnership.” Tina noted that such partnerships require a good deal of thought, but that the results can be worth it. “A strategic alignment on a particular program, she said, “done in the right way, would bring a double amount of resources.” Paul cited the growing number of such partnerships both in the United States and abroad, and called them “a great way to improve our society.” He also acknowledged the challenges inherent in marrying the two sectors toward a common goal, stating that “I’m sure you could write a book on the complexities of public/private partnerships, but certainly the opportunity is phenomenal.”

For Katherine, the fact that “you diversify the leadership and the power structure and everyone’s got a stake in it” is exactly what can make cross-sector

collaboration so successful. Anne called public/private partnership “the future of getting things done,” as long as roles and responsibilities are clearly defined and adhered to. Communication was key for her in ensuring positive outcomes, suggesting that public/private partnership works better “when it’s thoughtful and when all of these issues are talked about.” Participants felt that Arizona has been a leader in public/private partnerships, in part because of intentional cross-sector convenings such as the Governor’s foundation roundtable, but Kerry noted that “it’s always been issue-specific and time-limited,” as opposed to there being a widespread culture of collaboration.

But participants felt that public/private partnerships were less prevalent in Arizona now than they had once been, in large part due to changes in political leadership. Tina called them “essential” but she couldn’t point to any current, successful example. When asked if we are in a climate now that fosters public/private partnerships, Grace stated:

I don’t really think so. That’s sad. I thought it was great when it was happening and I think it really does take the public leadership. The governor really created that vision of education, from early childhood to building a workforce, and there was a place for all of us in that. It started a great conversation... business leaders were engaged. It’s really going to take that kind of leadership ... But now it’s pretty much dead. It’s up to leadership.

Sheila also noted the importance of political leadership in building and sustaining partnerships, but worried that the current state level leadership doesn’t appear to have the same priorities as the philanthropic sector. She was interviewed for this study the morning after the 2010 election in which many moderate officials lost to

politicians who appear less committed to the social infrastructure. As Sheila said with a sad laugh,

As we see our economy crumbling, our schools getting worse, I really do believe that public/private partnership is the way we're going to change things. Although today may not be the best day to be discussing this – things feel pretty bleak!

While state-level political leadership may pose a challenge to public/private partnerships, participants noted the opportunities for public/private partnerships being fostered at the federal level, a perception which supports the literature reviewed in Chapter One. Jackie observed that:

Certainly with the current Presidential administration there has been the opportunity to draw philanthropy into the stimulus in terms of some of the planning, and really start to do that public/private partnership ... The administration is calling for public/private partnerships, realizing that it all cannot be done with one or the other, they're tapping them for their expertise.

The Obama administration's many state-level investments, particularly those focusing on education and community development, are likely to provide renewed opportunity for public/private partnerships across the country. Pam reported sensing "a new mood in the country that government can't do it all by itself and certainly private philanthropy can't do it all by itself," which bodes well for cross-sector partnership.

Barriers to public/private partnerships

In spite of their recognition of the great potential involved with public/private partnerships, participants identified several structural barriers that make them challenging to create and to sustain. One such barrier is the different

frames through which philanthropists and public officials see the world. As Pam described it,

Typically philanthropists have a different filter about the world than people in government and they come with different constructs and different expectations and different rules, and so sometimes it's like two different cultures trying to work together.

Or as Kerry put it,

The problem is that we don't play at all in the same sandbox, for the most part... there's no really true conversation on issues. I have friends that work in the Department of Justice and I've said 'So, we sit here in this community, if you want to do anything here just call me.' There's no call. ... Same purpose, but the way they operate is very different. And [we] need each other desperately, but without really any true marriage.

Both Katherine and Pam talked about the sometimes divergent ways that people in the public and private sectors approach their work. For example, while the public sector has to operate methodically under procurement rules and other transparency processes, the private sector can move much more quickly. These different approaches can cause conflict when the two try to work together. As Pam described it,

I think part of it is that philanthropy is accustomed to making decisions and then acting on them and getting it done. And in public life, you know, you have to go through public processes, public hearings, public announcements, public reviews, procurement... all of that kind of stuff. Philanthropists often get very impatient with the process that public officials have to go through. And I think they sometimes misinterpret that, they think they're being stalled or that folks aren't being deliberate or decisive ... [The public process] tends to make them... creates an environment that's very risk averse. And philanthropists are often risk takers. So that cultural clash makes it difficult to work together sometimes.

But while Pam saw those different worldviews as a posing a barrier to public/private partnership, Katherine saw them as a source of strength. For her, each

sector can only see so much of the whole, and only by working together can they develop a comprehensive system: “We just come from different lenses so it’s good to have that collaboration.”

Sheila and Paul affirmed Pam’s sense that funders can be turned off by government’s burdensome processes and decide that “sometimes it’s easier not to work together.” For Sheila’s small and agile family foundation, “sometimes the government can seem like such a big bureaucratic place.” Paul said that some philanthropists find that public/private partnerships are easier to talk about than to do well:

It’s very challenging because there’s a lot of bureaucracy, which you have to watch out for. And sometimes the effort of getting through the bureaucracy is more time consuming and expensive than the overall goals. That’s more than a rare occurrence, so you have to be careful in that regard. And a lot of times these partnerships are so grand that they don’t accomplish anything but policy statements that never get implemented. So you have to watch for that. And you have to have specific goals, not just theories but goals that will actually get done within a certain time frame.

Tina had another concern about private investments in publicly funded programs that centered on the often ephemeral nature of public funding:

I think you’d find philanthropists very hesitant to invest in some of these programs because they lack the kind of continuity that philanthropy wants to endure with its investment. Very few foundations fund things without knowing the sustainability plan. Because there are so many places you could put your dollars.

Sheila expressed a similar concern when she talked about the importance of seeking out public partners that share the funder’s commitment to quality: “State programs get that reputation – ‘This is the way we’ve always done it so let’s just keep doing it this way.’ Sometimes you think of state programs as

having kind of weak... quality control and ambition.” But she spoke from experience when she provided examples of how this concern can be overcome with

Good communication between the heads of those government programs and funders... accountability and evaluation... all those ways to see what’s working on the state level because as a philanthropist you’re not going to want to sink money into something that looks like it’s not being managed well.

Keys to success in public/private partnership

Participants also identified several keys to successful public/private partnerships. As was already discussed above, participants saw strong political leadership as one important factor in successfully forming and maintaining public/private partnerships. Suzanne added that each sector needs to have an equally shared responsibility in the project’s outcome, noting that “it works best when everyone has an appropriate stake in the system. Because if one party doesn’t, then it doesn’t hold up.” Another participant spoke from experience when she talked about the importance of continuing to facilitate the public/private relationship. Her foundation is involved with a national early childhood effort which is built upon public/private partnership. When asked why cross-sector partnership seems to work so well in that particular project, she said:

I think part of it is because [we] say you *have* to have a public/private partnership [laughs], and then provide resources to help facilitate the development of those relationships. I always tell people when I go into a community where they [want to replicate this model] and we talk about what it takes, ‘You think that raising the money for the building is the biggest hurdle, but the truth of the matter is it’s the partnership. It’s all about relationship building, and it’s hard, hard work.’ So I think part of it is we say that it has to happen, and the reason we say it has to happen is we just think the end product is so much better when those partners learn how to work together. So we force it, we facilitate it.

Lauren suggested that the foundations that most successfully engage in public/private partnerships are those with staff dedicated to facilitating them. She cited the Gates Foundation as a model for philanthropic engagement with public officials and said that if a foundation wishes to follow their lead, “your whole organization has to be set up to partner appropriately. Otherwise I think you can get taken advantage of, especially in this state. You have to have people who are savvy in dealing with elected officials.” She also highlighted the George Kaiser Family Foundation in Oklahoma which was formed as a public charity rather than a private foundation expressly so that it could employ a lobbyist, “someone full time to broker public/private partnerships.”

CHAPTER 8

PHILANTHROPY'S RESPONSE TO THE RECESSION

The current economic recession has taken a great toll on American families and communities. Paul noted that as a result, “Demands are being placed on the social sector at unprecedented levels.” David quantified the increased need – and the burden it is placing on nonprofits:

St. Mary’s and United Food Bank and Salvation Army and St. Vincent de Paul are all doing an incredible job, but they’re seeing 30% more people now than they used to. They used to do food boxes twice a month and now they do them monthly, they’ve cut staff, cut 401k matching for employees... so the sector is really suffering.

But just when nonprofits are being asked to do more than ever, the philanthropic sector has also lost a significant portion of its assets to the weakened stock market. Tony described the situation this way:

I think there’s an increased role for philanthropy, but it’s being squeezed from both ways. When the economy is bad, foundations have less to play with, and yet the requests increase because the needs are greater. It’s a bad combination. But, being the optimist, I’d say that the role of philanthropy is critical in these times.

While Tony was optimistic about the potential assistance philanthropy can provide during the recession, Joyce worried that the immense need coupled with philanthropy’s limited resources would result in a sense of hopelessness among funders. “One of the biggest dangers of the recession,” she said, “was people feeling overwhelmed, you know? Like, ‘Oh man, there’s just nothing I can do. It’s too overwhelming.’” Fortunately, participants did not express feeling overwhelmed by the challenge, and many cases even cited some potential long-term benefits for the sector as a result of this experience.

When asked how philanthropy has responded to the challenge, Walt reported that “it would sure be nice to give a short, concise answer to that but it really runs the gamut.” Participants noted several significant changes to philanthropy resulting from the economic recession which have impacted both the types of grants being made and foundations’ internal grantmaking processes. These changes are reflective of the national trends noted in Chapter One. The most commonly cited change was an increased emphasis on funding basic needs, such as food and housing – 100% of participants made reference to the increase in need and the philanthropic community’s resultant “realigning [of] some of their priorities,” as Jill put it. Kerry noted that the changing social conditions necessitated her foundation engaging in a kind of funding that they had not previously done:

Getting involved in what we call community relief—that would have been very hard for [my foundation] to do before ... But we have been doing community relief since the economy tanked, probably to the tune of a million dollars or more a year. And that was definitely because of the change in what’s going on.

Katherine also described what she saw as “people focusing on core, basic needs. Survival mode, getting people to survive in what is really a horrible economic situation.” And like Kerry, Katherine sounded somewhat surprised at the extent to which her own foundation has invested in basic needs like child care, child abuse prevention and food aid:

Here we did emergency scholarships, we got to expedite the procurement process on some of our home visiting programs... yeah, we definitely have changed our giving. I never in a million years would have thought we’d be doing food boxes but...we’ve done a million dollars in food boxes.

As predicted by previous research, some foundations went a step further still, restricting their giving to basic needs at the expense of other funding priorities. Jill, David, Paul and Suzanne all cited examples of foundations suspending contributions to capital campaigns or endowments over the past few years in favor of funding for immediate, basic needs. Paul also cited the arts as an area which has suffered as a result of this realignment of priorities, although he understands why:

The arts have suffered a lot more because foundations have felt that basic human needs are more important at this time than the arts ... It is less long term investment and more investment towards the immediate needs of the people. Which is understandable!

Grace invoked an almost moral sensibility when she described it as the philanthropic community's "responsibility to do what we can to make sure there are people to serve those in need."

While participants understood philanthropy's adaptation to meet tremendous needs, some expressed disappointment with what they saw as a move away from longer term, strategic grantmaking. As Walt described it, the recession has resulted in foundations being less strategic in their thinking as they have "retrenched themselves... to support the needy." But Tina explained that there really is no need for strategy in the context of emergency funding, because the desired outcome is so obvious: "When we go into basic survival needs you can be less strategic, because people are either going to survive or not survive." Lauren described the recession as "tough" for funders who had been moving towards systemic grantmaking "because people feel like they've got to go catch the downstream." Janice also pointed out the difficult choice the recession has

posed for foundation leaders between meeting immediate critical needs and implementing a strategic vision:

I don't think that that would be their preferred strategy in the long term, because they realize that we're not moving the dial if we're just keeping a roof over someone's head. But at the same time, someone needs to take care of those people. So I think there's an expediency that's forced a number of foundations to direct more of their money to direct services than they otherwise would.

She went on to explain that one of the greatest disappointments of the recession and resulting changes to philanthropy is that "it looks like an awful lot of our progress over the last 10 years has been erased. And that's disheartening."

Impact on Type of Grants Being Made

Participants noted an ideological divide among philanthropists on how to make the most of their recession-limited resources. Paul described the contested issues this way:

There's been a split. And this has been the subject of a big debate among philanthropists in the US. Some in the area of philanthropy say 'Well, this is a time of need, we should give more.' And others say 'Because of what's happened, we ought to preserve our assets for further problems in the future.' ... Some philanthropists, for example the Gates Foundation and quite a few others, have said 'Well, because of this time of need, we're going to [increase our giving] and serve the people because they really need it – that's what this is for.' Other foundations are saying 'Our corpus has gone down and we want to remain in perpetuity for the future so we need to cut our giving.' That's been a real debate among foundations and also individual donors, but you'll see the amount of philanthropy this year has gone down significantly as a result of the recession. But there are those who will say, 'Gee, because of the recession you ought to give more, not less' so that's a real debate.

Tony affirmed Paul's analysis when he told me that within his foundation "there's been a discussion about whether we grant up or down when the market goes

down.” These observations reflect national trends in philanthropic adjustments to the recession cited in Chapter One.

Some foundations have elected to split the difference, funding a combination of basic needs and other projects. Sheila explained that while she appreciates the increased demands on the social infrastructure, her foundation elected not to restrict funding only for basic needs:

We did earmark some of it for basic needs, but it was kind of emergency funding is how I saw it, for a while. Our foundation felt like we couldn't just stop trying to work on those programs that have some systemic change and some structural change.

Here Sheila illustrates how her foundation was able to remain committed to some of their long term priorities while helping meet pressing community needs.

Deidre explained implementing a similar strategy at her foundation through the development of a strategic basic needs fund that was used to support upstream investments that would reduce the need for emergency assistance:

We were thinking systemically in terms of what we would support. So donors had the opportunity to give directly to whatever homeless shelter or food bank, but then also contributed to our basic needs fund so that they could also do that systemic work. In terms of housing, when people lost their jobs their homes foreclosed. Instead of giving to a homeless shelter, what we did was give dollars to organizations that were counseling folks in terms of foreclosure prevention and how to save their homes.

This strategy allowed Deidre's foundation to be responsive to an urgent community need while also helping to build the prevention infrastructure and keep people from needing emergency shelter in the first place. Joyce also described a mood among funders that it's not necessary to abandon all other priorities to be responsive to the economic crisis. Responding to question about

whether funders were feeling pressure to move to basic needs funding away from longer term, strategic funding, she said that

I think there's probably some of that going on. But because a lot of the groups I work with are more inclined toward social justice, they're not going to give that up. Some of them will contribute to the hunger and housing collaborative because they want to be a part of it and they know there's a need for it, but they still come back to their core value and what they want to support. So, 'We'll put a little bit over there because we know there's a need, but we're still going to stay [where we have been].'

Lauren provided an example of how her foundation has chosen to integrate hunger relief efforts into the foundation's giving plan. They wanted to find, she explained, "a way that the food is delivered where it's more than food." Her foundation ended up funneling their hunger relief funds through nonprofits they were already supporting, so that the funds "enhanced something else. Otherwise we could give all our money to basic needs."

Other participants cited an increased willingness among funders to make longer term commitments and to support operating costs as a consequence of the recession, another state trend which aligns with national trends previously discussed. Deidre noted that the old way of doing business in which foundations give only a few years worth of funding may be less relevant during a recession:

You know, we always say 'We're giving you a grant, but we're hoping you'll come back to us with a sustainability plan so if you don't receive funding from us next year, how are you going to sustain?' And given the economy, a lot of the organizations cannot answer that question honestly because the public dollars they've relied on to sustain programs no longer exist. Or that key philanthropist they relied on may have less to give. So they can't really guarantee sustainability.

As a result some foundations appear willing to make longer term commitments to help nonprofits stay steady through the storm. David added that in addition to

longer term grants, foundations are becoming more flexible about providing support for operations as opposed to specific programs. He explained that while philanthropy's role might once have been to incentivize nonprofits to continually come up with new ideas and new programs, in this current climate philanthropy has a responsibility to help steady the ship:

I think at this point, especially given the economic crisis of the last few years, I see us being much more lenient towards funding operating costs and doing unrestricted grants. In the past, philanthropic grants have tended to be toward innovation, forcing nonprofits to always come up with something new to fund and I think there's such limitations to the nonprofit community right now that they can't come up with new programs – they're just trying to hold on to what they've got. So I think at this time, philanthropy's best role is to help fill those operating costs and keep those organizations, especially those safety net organizations, up and running.

David's comment echoes Grace's earlier statement that philanthropy has a certain moral responsibility to support the social infrastructure during this time of great need. The recession also provides a special incentive for foundations to engage in advocacy to ensure that government cuts don't hit the most vulnerable populations any harder than they absolutely need to, creating an even larger vacuum for philanthropic dollars to help fill. David's comment also acknowledges that nonprofits that are taxed to or beyond their capacity are not in a strong position to be creating new programs, and that what they need most is help to sustain their operations. However, he noted the concern among funders that they don't want organizations to become entirely reliant on them:

We know that they will continue to need basic support, but at the same time how do we move organizations past that dependency of always needing us, because we don't want to be that either. Where do you draw the line? It's tough.

This is one of the central conundrums of the traditional, charitable model of philanthropy, and one reason that so many foundations only provide short term support.

As described in Chapter One, most endowed foundations typically spend 5% of their endowment each year, allowing them to maintain a steady corpus. In terms of how the recession impacted giving, participants described a diversity of strategies including giving away less than in previous years, holding steady, and giving away more. This pattern is reflective of national trends. Pam suggested that a decrease in philanthropic spending has made it harder for nonprofits to get funding. “When money got tight,” she explained, “some philanthropies said ‘We can’t give out as much,’ and so the competition was stiffer.” Making things more difficult for grant seekers was the fact that many foundations limited their funding only to existing grantees in an attempt to sustain those organizations they have already made commitments to. The result, Anne explained, is that “a lot of people held back from new giving.” Walt thought this strategy was used more by foundations that were “concerned with their survivability” as a result of losing significant assets in the stock market.

Given the state of the economy, Tony considered it a victory that his foundation was able to hold steady in its level of funding throughout the worst years of the recession, saying that “We maintained our giving even though our corpus went down and our investments went down, we held steady because we knew that we needed to give money to the community.” But some foundations were able to go even further, actually increasing their giving during the recession.

Sheila explained that her foundation revisits their funding plan each year and decides how much to spend based on needs:

We don't just do the 5% every year, we look at what the needs are and sometimes we spend more. Some foundations do operate like that, 'We hit the 5% mark and we're done,' but we just don't operate that way. We don't want to blow the corpus and not have anything, but we felt like the basic needs were really overwhelming.

Walt also described his foundation's decision to invest more funds during the recession in projects his board really believed in. He said that such a determination requires sufficient assets and a "boldness" to say "'We're going to dip into our capital, because this is the time society needs us or this initiative needs us. So we will go over and above.'"

In addition to overall amount of grant funds, participants also cited the size and number of grants as variables that foundations can play with in their attempt to do more with less. One option is to give smaller awards to more grantees, so that, in Pam's words, "everyone gets something." Tina agreed that the recession was "putting much more pressure on foundations to give more broadly... more things, less money." Other foundations, however, were electing to invest more deeply in a smaller number of organizations, under the assumption that they were more likely to see measurable outcomes if they consolidated their resources. Lauren's foundation has moved in this direction, as they've "tried to make some areas of focus really firm and become more impactful in a certain area over a protracted length of time." David talked about the decision by a multi-funder group his foundation belongs to, to concentrate its resources in a similar fashion after one year of more widely-distributed grants:

The second year we decided to trim the list down and just do hunger and emergency housing, so we did fifteen grants instead of forty five, and we gave good sized grants to those organizations. [A representative from a major local food bank] told me the other day that without that grant from the collaborative they wouldn't have made it last year. So yeah, it's meaningful stuff.

David's comment suggests that for him and the other members of the collaborative, this more concentrated funding strategy felt like a more meaningful way to invest. Joyce observed that this toggling back and forth between a cycle of many small grants and a cycle of fewer larger grants isn't uncommon among funders, "depending on what they feel comfortable doing... And of course it depends on who's coming to them with proposals." This level of flexibility allows foundations to be responsive to specific community needs as they arise.

Impact on Grantmaking Process

In addition to describing the ways in which the recession has influenced the size, number and type of grants coming out of foundations, participants also identified key ways in which the recession has impacted their internal grantmaking processes. Participants suggested that the recession has made funders more process-oriented and careful in their funding decisions to ensure that no dollar is wasted. As Joyce explained it,

A lot of their portfolios have been hit so they have a little less to give, and I think that's made them more aware of bang for the buck. That's an old phrase, but it means a little more now. If, say, they're going to spend less per grant, they're going to be that much more careful about where they're spending it, that there's no waste.

She noted that one way in which this vigilance is manifesting itself is in the form of more careful budget scrutiny:

Where you might have been able to get away with just throwing out \$10,000 for a travel budget, now the funder will ask what exactly is in your travel budget and do you really need to do that. Almost every proposal where we used to glance and approve, I see more going through it line by line and asking ‘What’s this charge for?’ and ‘Couldn’t you cut back here?’ and suggesting a lot more matching funds.

Similarly, Anne expressed a heightened awareness of the importance of not duplicating efforts:

As a small organization it’s not reasonable for us to think that we should be delving into places where there are great players already ... To do otherwise right now is irresponsible. Right now, there’s just not enough money to go around.

Tony highlighted streamlining of operations as another example of foundations’ internal response to the recession. For him, it is important for funders to exercise the same fiscal discipline they expect of their grantees:

I feel like it is prompting some really good conversations and I think foundations are tightening their belt more often than not, not on the grantmaking, but on operations. We all took furloughs here, instead of reducing our grantmaking. We all took salary hits to be able to maintain our grantmaking. We felt we should, the rest of the community was belt tightening, too. I like that it’s made us look at whether we’re spending our money wisely and working as smart as we can.

He also referred approvingly to what he called “navel gazing – in a good way,” as funders have used the recession as an opportunity to assess their own impact and ask themselves questions like “Are we working smart, do we have the right people on board on our staff, are we streamlining our grant process, are we efficient?”

Impact on Mission

Perhaps as part of the introspection noted above and in response to the increased demands on their resources, many foundations have taken advantage of

the recession as an occasion to revisit their missions. Some have recommitted to a narrow mission while other funders have adapted their missions to address changing needs, and still others found a way to do some of each.

Grace and Joyce saw this recommitment to mission as a way to focus grantmaking and ensure meaningful impact. For Joyce, as foundations receive an increase in the number of requests, it can be hard to decide who to fund without a clear mission. So, as she explained, “you have to be really mission-driven. That’s another way of focusing in instead of being wider.” Grace said that a firm recommitment to mission gives a foundation a framework from which to say “This is why we’re here, this is what we said we were going to do. I know this looks great over here, but is it what we said we were going to do with the limited resources we’ve got?” Pam explained that her foundation has recently revisited its mission and found the process to be very beneficial:

We had that conversation in the past years because our funds dropped significantly. Of the fifteen things we’re funding, how would we prioritize them so that the top ten get funded? ... In some respects I think that’s kind of good because it forces you to analyze where you’re having the greatest impact, where you think something is best aligned with what you’re trying to get done.

For Anne, the recession has provided an opportunity to say no, something her foundation had been “asking for permission” to do for a long time. She explained that as a result of the recession and her foundation’s recommitment to a narrow mission:

I became much less willing to spend my time entertaining other people’s ideas of what we should do, and much more focused on achieving the goals we had set out for ourselves. Still listening to other people, but we

were fine having a narrow focus. We stopped feeling badly that we weren't going to fund something if it didn't meet what we were trying to do. We've been asking for permission to be focused for a while.

But for Tina, the recession has drawn the needs in such stark relief that it is even harder than ever to say no. "It keeps me up at night because I worry," she said.

"We could do this but we're not, because we're doing that ... It's harder to say no when you can walk down the street and see the problem you're not solving."

While these participants spoke of recommitment to an existing mission, others described foundations' flexibility to reassess their mission and adapt to the current economic climate. Walt said he's heard conversations among fellow funders about the need to "refocus based on societal needs right now." To use Kerry's example, the recession has allowed some funders to say, "'You know, capital is not where we are at anyway.' And shift thinking. Others are now really deciding what areas they want to put stakes in the ground." Jackie observed that many foundations were willing to adapt to changing needs, noting that "they aren't just sitting back and saying 'No, no, we have our mission and can't do it.'"

She felt that the recession has been "a learning opportunity" for the philanthropic sector,

In that they may have decided that their theory of change or mission is going one way, but based on their involvement with something as dire as this crisis, they may either embed different criteria or impact results or outcomes into their grantmaking, or they may take an entirely different track which aligns them better with the reality of the community.

Katherine highlighted the fine line a foundation walks if they stray too far from their mission as a result of the recession. Even if a foundation does temporarily change direction, she explained, it's important to stay true to your reason for

being. As she put it, “We can’t say ‘Oh we didn’t really mean it’ because the economy is bad.”

Collaboration and Partnership

As discussed in Chapters One and Four, collaboration is a core component of philanthropic work. Participants cited an increase in collaboration as a consequence of the recession, as a way to leverage limited funds. David provided the example of the Emergency Needs Funding Collaborative which came together in response to increased needs in the social safety net. As he described it, the participating foundations came together as a collaborative “rather than doing it in an uncoordinated way so that we have some equality in our grantmaking ... We all wanted to do something; we knew that the nonprofit community was starving.”

Other participants talked about the ways in which their own funding decisions were informed by knowing what was happening sector-wide. Both Sheila and Tina said that knowing that other funders were heavily investing in basic needs allowed them to stay on track with their longer term projects. As Sheila put it, “I felt like there were some major players that were handling the basic needs, so we could continue to do more long-term, multiple year funding for organizations that we’d been working with.” Tina expressed a similar sentiment when she said that “a lot of other people are doing short term solutions, which need to be done! And that will free us up to be a little more strategic.” While neither Sheila nor Tina were necessarily funding in collaboration with other foundations, knowing what was happening throughout the philanthropic community helped them identify where their dollars could do the most good.

One final important recession-related partnership noted by participants was that between philanthropy and the news media. David cited his appeals on TV and radio as an important factor in the success of the Emergency Needs Funding Collaborative campaign to raise awareness about recession-related hunger and housing issues. But the media can be more than just a way to broadcast philanthropic messages. Deidre noted her appreciation for the media's ability to identify needs that philanthropists might not have otherwise even known about:

The media has been a real blessing, in terms of uncovering some of the hidden needs. It drives people to call us and ask questions when they see the coverage. So I see the media as a key element in terms of basic needs because they have to report in order for us to respond. We just don't know unless we are looking at the data all of the time, or we hear the human story.

It is for this reason that Kerry's foundation works intentionally with its grantees "to figure out how to get their success stories in the media." Both success stories and those highlighting the recession's human toll can be useful in terms of raising community awareness. But Suzanne pointed out that reality may not always line up with the media's expectations:

Reporters come to us all the time, 'Find us a family!' It's actually usually very difficult to find someone who fits exactly into the scenario they are looking for because the truth is that people are on the margins because everything in their life is f'd up. You know? Like, they had a horrible childhood so they're a substance-abuser, so duh duh duh. And a lot of them are not very sympathetic.

Long Term Changes

Participants predicted both negative and positive lasting impacts on the philanthropic sector as a result of the recession. Jill felt that philanthropy “may be taken more seriously” in the future:

Government and private have had to go to philanthropy a little more to help solve problems, so maybe once you’ve been at the table I think you may be viewed differently, more seriously. So in that regard, that might be a good thing.

In this way, philanthropy’s standing among the other sectors will have been elevated such that it is seen as an equal partner in solving problems. Joyce predicted a different lasting change which has more to do with how foundations operate:

You know, I’d like to think that there will be because I think part of what’s coming from this... same as it is in our own daily lives, people are saving more money, spending less, being careful about what they budget... I think that’s going to stay with people... I think people will be more thoughtful about how they fund, and hopefully they’ve learned some good lessons about what questions to ask and the things to be tough on and what not to worry about.

But Deidre predicted a that the recession will also have long lasting negative impacts not only on philanthropy but on the entire social sector: “It’s just like if you were going to school and getting straight As and then you have one really bad semester with all Fs, your GPA is forever impacted by that.” She talked about the ranks of the newly poor that have been created by the recession – “people who once volunteered are now taking advantage of those food drives and clothing drives” – and the choices that philanthropy must make in deciding, with limited resources, whose needs they can meet:

We are forced as philanthropists to decide who gets the money – those who have been hurting all along or those who are just recently hurting ... Do you look for funds to accommodate the weakest link or the ones who can rebound quicker? We as philanthropists are forced to decide which needs we can meet, because we can't meet all of them.

Grace, Kerry and Janice all talked about the fact that it will take time before philanthropic assets – and confidence – recover from the hits they have taken in the recession. Grace perceived that the philanthropic sector has been spooked by its losses and that with “less money and less trust in the future of that money,” foundations would likely sustain what she called their “conservative outlook on letting the funds loose.” She contrasted this with better economic times: “In the heyday when we were earning 19% it was like, ‘Woo hoo!’ We could kind of unleash.” Janice described becoming involved with philanthropy ten years ago at a time when “everyone was talking about the 40 trillion dollar transfer of wealth, because the economy was booming and we really saw philanthropy as a growth industry.” But after the past few years, she doesn't perceive “that same optimism anymore... While that transfer of wealth is still going to occur, it won't be at the scale that people were hoping at one point, that we could really make a huge difference. So that's one sobering fact.” To her, philanthropy is grappling with the new fiscal reality and will need to adjust its expectations accordingly. Kerry spoke specifically to the recession's impact on long term funding. While other participants had noted an increase in foundation willingness to commit to sustaining nonprofits through the rough economic waters, Kerry pointed out the dangers in doing so:

The sad part is that when the economy tanked so did all of our assets, it meant we had to stop pumping money. It makes you change your point of view. For so long the economy was good, that I don't think people even had it in their mental model that it could all go to hell in a hand basket. So a lot of big funders found themselves in trouble, especially if all their assets were in one place. Packard is a really good example. When you have five-year commitments out there, and all your money is in Packard stock and it crashes, those two things kill you ... So it has changed the mindset of everyone in thinking long and hard in how far out they will put their commitments

In contrast to these predictions, when asked whether she thought there would be lasting impacts on philanthropy from the recession, Pam said she didn't think philanthropy would be able to maintain its current restraint and focus.

I wish I could say yes, and I think it will last for a while, but not for a long time. The demand is so great, there are so many good projects ... I think once things return to stability and there is lots of money, funders will return to those peripheral things as well as the things that are core to the mission.

Lauren gave a hopeful assessment for the future when she suggested that perhaps the worst is over. "It's gotten a little easier this past year," she said. "2008 and 2009 were the worst."

CHAPTER 9

CONCLUSION

Philanthropy plays a critical role in American life, one which has been made even more important by the economic recession. But at the same time, it is “a field that is still emerging, still seeking a clear identity, and still trying to figure out its core assumptions and aspirations” (Frumkin 2006: 4). These questions of identity and aspiration are particularly relevant when thinking about the role of philanthropy in helping achieve significant social change.

I began this research with two questions: 1) What role, if any, does the philanthropic community ascribe to itself in not just ameliorating but helping solve our greatest social challenges? 2) If philanthropy does see itself as an agent of change, what are the barriers that limit its potential? In this section, I revisit some of the key findings that shed light on the answers.

Philanthropy's Aspirations for Social Change

While participants reported that the terms ‘social justice’ and ‘social change’ aren’t frequently used within their professional networks, they expressed a desire to engage in genuinely meaningful philanthropy which does more than just maintain the status quo. This affirms previous research which found that “foundation leaders plainly support the notion of philanthropy as enabling massive social change rather than merely providing charity and amelioration” (Nagai et. al. 1994: 103).

Participants identified strongly with the philanthropic as opposed to charitable framework. The fact that they conceptualized philanthropy as

operating upstream suggests that they see great potential for their work to have significant social impact, the kind of work that Iris Marion Young would likely support. Similarly, their disdain for the language and concept of charity suggests that they don't wish to engage in activities that simply reproduce the status quo. That said, participants were themselves critical of a simple upstream/downstream dichotomy, arguing that it oversimplifies the entrenched nature of social problems and that it is not always easy to draw a line between upstream and downstream interventions. They also felt strongly that the philanthropic sector has a responsibility to invest in both upstream and downstream solutions and that downstream solutions, if well conceptualized, can still be strategic and systemic.

Barriers to Social Justice Philanthropy

Participants identified four primary barriers to increasing their social justice work: limits on advocacy, a complex relationship with the public sector, recession-related reorientation toward basic needs, and philanthropy's belief that its purpose is to catalyze innovation rather than commit to long term strategies.

Limits on advocacy

Participants see clear value in engaging with advocacy and public policy to amplify their grantmaking efforts, but struggle to integrate it into their work. They identified multiple barriers to funding or leading advocacy efforts, including complicated legal regulations, distaste for politics, the need to satisfy diverse stakeholders including board members and donors, a preference for funding programs that yield quick results, and a desire to maintain foundations' neutrality.

But some participants reported that they have found ways to navigate these barriers and participate in the public policy dialogue. National foundations have demonstrated that advocacy is an appropriate and potent tool for philanthropists to use; state level foundations may follow their lead in order to maximize their own influence.

Complex relationship with the public sector

Participants saw clearly defined roles for philanthropy and government, but worried that the line between the two sectors has become blurred by some who want to see a further shift in responsibility for social welfare toward the nonprofit sector. Participants recognized that the two sectors have a shared role in supporting the nonprofit sector, and were interested in partnering with the government where appropriate. However, this desire was tempered by significant trepidation about the possibility that philanthropy would be taken advantage of by those in government who are looking for ways to transfer their responsibilities to the philanthropic sector. Successful public/private partnerships that maximize all available resources hold promise for social change efforts, but will require strong leadership, shared governance, and ongoing facilitation of relationships.

Recession-related reorientation toward basic needs

According to study participants, the economic recession has made the role of philanthropy more critical than ever, but has simultaneously limited the resources available to the sector to do its important work. In order to mitigate the impact on nonprofit organizations they support, foundations have streamlined

internally to ensure that maximum funding is passed on to grantees, prioritized funding for existing projects and, in recognition of the financial strain on nonprofits, become more willing to support operating expenses. The recession has forced many foundations to redirect their giving toward meeting basic needs, delaying other efforts more directly linked to social change, while others have elected to stay with their longer term initiatives or find a balance between immediate needs and upstream efforts. The recession has also resulted in increased collaboration within the sector which holds promise for large scale, systemic change initiatives. Finally, the recession has raised the profile of the philanthropic community in the eyes of the other sectors as a result of its increased relevance during the past few years. Time will tell whether and how philanthropy will leverage this newfound influence to impact issues of social justice.

Programmatic, measurable and time-limited disposition

As was discussed in Chapters One and Four, philanthropists tend to see their role as providing a short term infusion of resources to fuel the development of new programs. But the short term nature of most grants poses a barrier to achieving systemic social change, which often requires far more patience and a longer term investment. Similarly, foundations' preference for funding programs over operations prevents them from being able to support the work of organizations doing social justice work that does not necessarily fit the programmatic mold. This orientation toward time-limited programmatic funding is due in part to the desire to achieve immediate, measurable results. Together,

these factors serve as another barrier to philanthropy's ability to maximize social justice.

Limitations and Contributions

These findings must be contextualized by the study's limitations. A primary limitation concerns generalizability to the larger philanthropic community as a result of the small sample size. A larger sample size would likely have enriched the study by incorporating more voices and perspectives. However, participants were selected because they are deeply embedded in the philanthropic culture, and they were asked to speak not just for themselves but to reflect on themes and patterns they observe in their field – thus, I feel that while the results are not generalizable to all philanthropists, they are an authentic representation of philanthropy in Arizona. Another limitation related to the sample is that the sample consisted primarily of grantmakers who work on issues that lend themselves to a social justice orientation, such as education, health care and human services. My sample did not include, for example, a grantmaker who specifically funds arts and culture. It is worth noting that I did attempt to recruit just such a grantmaker, but she declined. I have to wonder whether she saw the social justice orientation of this study as irrelevant to her work.

Another potential limitation is that my sample did not include representatives from corporate philanthropy. In part, this was a purposeful decision in light of general consensus in the literature that “they are assumed to contribute little to progressive social change philanthropy, for obvious reasons” (Faber and McCarthy 2005:14-15) which include corporate self-interest and

enhancement of public image (Fleishman 2007; Frumkin 2006), and “preservation of the social system within which the corporation operates” (Nagai et. al. 1994: 134). As noted in Chapter One they also contribute a small percentage of grant dollars. For the purpose of this study I chose to focus on non-corporate foundations, but this omission does serve as a limitation to being able to make conclusions about the philanthropic sector in its entirety.

But perhaps the most significant limitation of this study is the fact that the sample was so lacking in ethnic and gender diversity. Although non-whites are still a minority in the ranks of foundation professionals – making up 35% of program officer-level positions nationally (Foundation Center 2008b) – with only one non-white participant, the sample significantly under represents minorities in leadership roles in foundations. This imbalance is more a reflection of diversity in Arizona than diversity in philanthropy. This lack of ethnic diversity may have impacted findings because research has shown that support for social justice initiatives that serve minorities has increased in tandem with the diversification of foundation staff (Foundation Center 2008a). Frumkin (2006) suggests that the diversification of philanthropy “dovetails with the trend toward hiring more program staff from the nonprofit sector, in which many of the health and social service organizations have traditionally employed substantial numbers of women and minorities” (p.117).

The sample was also heavily weighted toward women, with men making up less than a quarter (22%) of the sample. Unlike the underrepresentation of minority grantmakers noted above, this imbalance actually is more reflective of

the foundation population. While the majority of executive leadership positions in philanthropy are filled by men, women are actually overrepresented among foundation staff (Foundation Center 2008a). Because my sampling strategy for this research specifically sought out grantmaking staff, it is not surprising that my sample is tilted toward women. A more gender-balanced sample might have allowed some gendered patterns to emerge.

In spite of these limitations, this research has contributed to the literature on how grantmakers conceptualize their role as change-agents. Specifically, the “Four S’s” provide a new framework for thinking about the core features of philanthropy as defined by practitioners – *Strategic, Systemic, Sustainable* and *Sizeable*. This research has also identified some of the internal and external factors that prevent philanthropy from having maximum impact on issues of social justice. As noted in Chapter One, “there has only been rare discussion on the ways in which various forms of philanthropy can be utilized as instruments of social and political change” (Stanfield 1997: x). This research contributes to our knowledge in this area and might provide a guide for philanthropic leaders who wish to negotiate the barriers that prevent them from taking advantage of the sector’s unique potential to address social inequalities in a meaningful and lasting way.

Areas for Future Research

Future work in this area might include a parallel exploration of the social justice orientation of foundation boards, given the fact that in many cases the

ultimate authority on issues of mission and funding rest not with professional staff but with their boards of trustees (Horn and Gardner 2006; Capek and Mead 2006). Research suggests that diverse boards of trustees “make for more effective, innovative philanthropy that meets the needs of diverse communities” (Capek and Mead 2006:78), but foundation board composition nationally is predominantly white, middle class and male (Capek and Mead 2006). Future research might explore which characteristics of foundation leadership are most likely to support or discourage social justice philanthropy, and assess the willingness of foundation trustees to move toward a social justice orientation.

While corporate philanthropy was not a focus of this study, it is ripe for future research. In her interview, Joyce suggested that corporate philanthropy has lost considerable luster in recent years:

They’ve scaled back a lot, where they used to be the top dogs in philanthropy... They used to give all the money and ask all the questions, and now they’ve pretty much taken a back seat to the private foundations. You might just want to question what has happened to corporate giving. Why has that fallen so much? It probably is economic. And they would have a harder time with social justice giving because they have stockholders, all these entities they need to please.

Other trends in corporate philanthropy which warrant further study include cause marketing and philanthropic consumption, issues which came up in several interviews but didn’t fit into the context of this research. Tony suggested that there is some tension within private philanthropy about these corporate philanthropy strategies:

Some purists may feel like business should stay out of philanthropy or that they shouldn’t be getting a benefit from it, but... do you want the

company to be the evil empire? If you're out there fighting the good fight, don't you want others in the space?

The changing relationship between private and corporate philanthropy described by Joyce and Tony has implications for social justice and warrants future study.

An important theme in this research has been the relationship between philanthropy and government, but this discussion has been informed by only one half of that equation. Future researchers may wish to test funders' assumptions about how those in government see philanthropy and further unpack this complex but complementary relationship.

Finally, given that so many of the barriers to social justice discussed in this research relate to the pressures placed on the social service infrastructure by the economic recession, it may be interesting to revisit this issue when the economy has fully recovered. Future researchers may find that, in an improved economic climate, philanthropy is better able to invest in structural, upstream solutions and operate as an agent of social change.

Philanthropy, Autonomy and Justice

To achieve maximum social impact, philanthropy must be responsive to changing needs but also preserve its unique autonomy. Fleishman (2007) argues that this very autonomy is critical to philanthropy's ability to "fulfill its mission of challenging, reforming, and renewing society" (p. xiv). This research has found that grantmakers do see their work as an effort to make measurable, sustainable social change, but that external factors hinder their upstream march. Fleishman (2007) argues that not only does philanthropy's ability to operate freely and

independently ensure its ability to operate with maximum effectiveness, it also protects polyarchy, a core tenet of the American political system:

Such choices of mission should and indeed have to be made at the sole discretion of donors and trustees, or the very existence of a free, independent, not-for-profit sector that is unfettered by substantive government constraints cannot be assured. What is ultimately at stake in the decisions about what foundations should devote their resources to is the achievement and effective functioning of a polyarchical, independent, multi-power-center society. (p.29)

This sense that philanthropy is fighting against encroachment by other institutions emerged in my interview with Suzanne, who said

We're challenged to be courageous and really decide what our boundaries are. What is our role? How can we do that very well, and then have the courage to say no when we're called upon to do things that are just not appropriate for the nonprofit sector? We're all guilty of wanting to rush in and help and solve the problem. But when any sector is abdicating its responsibilities – whether, its individual families, or government, or other institutions – we need to have our boundaries remain intact.

Only with this kind of independence, autonomy and institutional integrity can philanthropy live up to this aspiration expressed by Walt:

Philanthropy should be a game changer. It should be a catalyst. All societies need leaders, and I think foundations can play a leadership role... There's hope for society, but only because there are people who are willing to be the point of the spear.

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APPENDIX A

INTERVIEW SCHEDULE

General information

1. How long have you worked in the philanthropic sector?
2. How did you become involved in philanthropy as a career?

When answering the following questions, please think not just about your current job but about your experiences throughout your career in philanthropy.

Function of philanthropy

3. How do you define philanthropy?
 - (a) Are there competing definitions you are aware of?
4. How would you describe the role of philanthropy in contemporary American society, especially vis-à-vis the other sectors (government, nonprofit and corporate)?
 - What are the factors that shape that those relationships?
5. Is this the role you think philanthropy *should* be playing?
6. Please describe some of the most effective grantmaking you have been involved in.
7. What other functions does your foundation serve in addition to grantmaking?
8. Do you believe that the philanthropic sector sees advocacy and engagement with public policy as part of its mission?
9. Do you hear any of the following words or phrases in the conversation among your peers in the philanthropic sector? If so, in what way?
 - (a) Charity
 - (b) Justice
 - (c) Social Change
 - (d) Public/private partnerships
10. Are you familiar with the term “social justice philanthropy?”

If no, read the following definition: Philanthropy that “facilitates the changing of social institutions so they don’t produce the very problems that ‘charity’ tries to alleviate”

If yes, continue to the questions.

 - a. Does that term/description resonate with the kind of work you are doing?

- b. Do you think that it's the right direction for philanthropy to be heading in?

Change over time

- 11. Can you identify any significant changes or shifts in philanthropy during the course of your career?
- 12. Has philanthropy changed since the start of the economic recession?
 - (a) If so, in what ways?
- 13. Do you think there will be any lasting impacts from the recession on philanthropy?
- 14. What trends are you observing in philanthropy that are likely to influence it going forward?

Miscellaneous

- 15. Are there any other questions I should be asking you, or other points you'd like to make?
- 16. Are there any other people you think I should speak to for this project?
- 17. If I have any follow up questions, may I contact you again?